The New Brunswick Telephone Company, Limited
Annual Report 1978

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Annual general meeting

The Annual General Meeting of the Common Shareholders of The New Brunswick Telephone Company, Limited will be held at the office of the Company at One Brunswick Square, Saint John, New Brunswick, Wednesday, the twenty-eighth day of February, 1979 at 2:30 in the afternoon (local time).

Valuation day

The value of a common share of the Company on valuation day, December 22, 1971, recognized by the Department of National Revenue for Capital gains tax purposes, was $14.63.

NBTel

The report at a glance (consolidated)

Income and Expense Items	1978	1977
Total income	$125 472 895	$112 663 262
Operating expenses	$83 667 809	$75 051 561
Other charges	$11 607 206	$9 887 098
Income taxes	$14 348 386	$12 779 994
Net earnings	$15 849 494	$14 944 609
Financial Position Items, December 31		
Telecommunications property	$415 972 169	$384 986 864
Shareholders' equity	$130 643 018	$125 408 587
Long-term debt (including current portion)	$137 472 000	$110 908 000*
Financial Statistics		
Earnings per common share	$2.30	$2.18
Dividends declared per common share	$1.54	$1.52
Common shareholders, December 31	11 685	11 702
Average common shares outstanding	6 166 644	6 043 627
Common equity per common share, Dec. 31	$17.83	$17.12
Return on common shareholders' equity	13.20%	13.10%
Return on shareholders' equity	12.46%	12.29%
Return on total invested capital	10.84%	10.59%*
Other Statistics		
Employees, December 31	2 708	2 671
Construction program expenditures	$39 690 446	$48 018 925
Telephones in service, December 31	358 842	342 920
Long distance messages	30 975 749	27 952 287

* Restated to reflect unrealized loss on foreign currency

Report from the Chairman

In 1978, NBTel completed 90 years of providing telephone service to residents of New Brunswick. A lot has happened to the Company in that time span. In 1888, the telephone was almost a new invention. Today, the telecommunications services provided by NBTel are an essential and everyday part of life in the province. The most modern technology available has been employed in the network and the service provided in 1978 was as good and reliable as that found anywhere.

The Company's 90th anniversary year witnessed an improvement in earnings to $2.30 per average common share compared to $2.18 earned in 1977. It was also the first year in the past four in which a general increase in rates for local exchange and intra-provincial long distance services was not necessary. We were pleased that the directors could increase the quarterly dividend rate to 40 cents with the dividend payment of January 15, 1979.

The present-day utility of the telephone system can be attributed to three principles that have fashioned its design. The first is the concept of providing a complete end-to-end service; the second is the concept of universal availability; and the third is the concept of province-wide price averaging. The ability of all potential subscribers to obtain basic exchange telephone service has been made possible by designing the overall rate structure so that access charges (the basic monthly rate) are relatively low and independent of the costs of service provided in any one specific geographic area.

This pricing philosophy and the evolution of technology have made certain telecommunication services look lucrative to potential competitors. Naturally, these competitors want to compete only for those services which appear highly profitable under present pricing structures. They do not want the responsibility of providing complete services on a universal basis, nor is it practical for them to build a competing network. Consequently, there is increasing pressure on regulatory authorities in Canada to allow "interconnection", or the right to attach competitor-owned communication systems or terminal apparatus to the telephone network.

We still believe we have a basic responsibility to provide a complete end-to-end, universally available telecommunications system and intend to fulfill that responsibility despite the possibility of interconnection.

Telecommunications and telecommunications technology continue to assume an increasingly important role in our society and economy. As a consequence, the range of services that are possible and desirable continues to grow and attract a higher level of potential competition. NBTel is prepared to meet this challenge by continuing to implement cost effective means of providing services at rates that are fair and equitable.

In addition, the Company will seek and exercise every opportunity to effectively "market" telecommunication services and products to attract a larger share of consumer discretionary dollars and promote more efficient means of communications. We believe part of 1978's improvement in earnings can be attributed to marketing and promotional efforts during the year and more are planned for 1979.

On behalf of the Board of Directors, I would like to take this opportunity to sincerely thank our employees for their diligence and hard work which contributed greatly to the success of 1978.

Kenneth V. Cox

Chairman of the Board
January 25, 1979

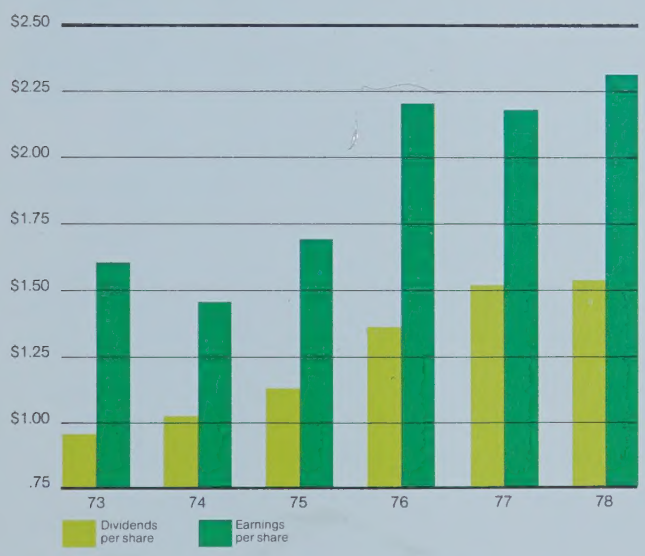
The year in review

Earnings per share higher

Earnings per average common share for 1978 were $2.30 compared to the 1977 figure of $2.18. The improvement can be attributed to a number of factors, the major ones being an increase in demand for telephone service and higher rates for inter-provincial long distance calls.

On November 23, 1978, the Board of Directors declared a quarterly dividend of 40 cents per common share which was paid on January 15, 1979. This increase brought total dividends declared for the year to $1.54 per common share compared to $1.52 for 1977. The two cent increase in the quarterly rate maintains a pattern of dividend increases which commenced in 1971.

Earnings and Dividends per Share



More telephones were added to the Company's network than in 1977. There were 358,842 telephones in service at year-end, 15,922 or 4.6 per cent more than at the end of 1977. In 1977 the gain was 11,082 or 3.3 per cent. In part, the increases reflect an intensified sales and marketing effort coupled with the impact of the Company's continuing Jack-Ended Telephone Service Program.

Use of the Company's long distance services also increased in 1978. Long distance messages totalled 31 million for the year, a 10.8 per cent increase over 1977. Growth rates for 1977 and 1976 were 6.8 per cent and 6.9 per cent respectively. The increase was due to an improvement in the provincial economy although promotional and marketing efforts and interruptions in postal and airline services also contributed.

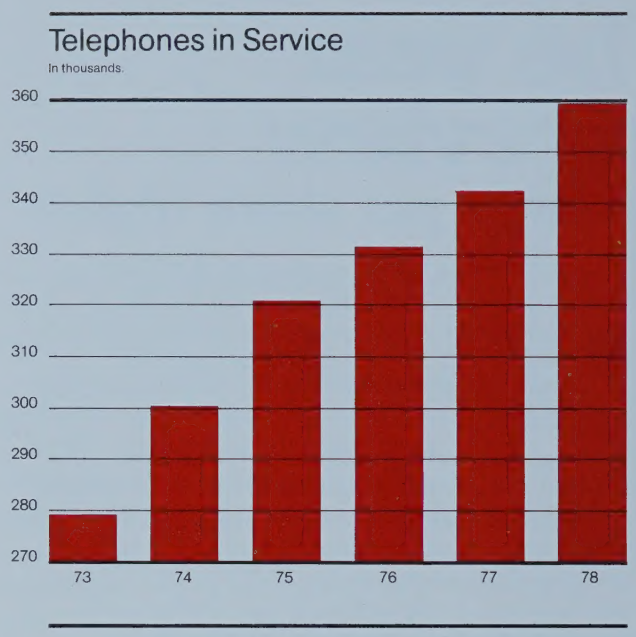
On August 1, 1978, the Company implemented new rates for inter-provincial long distance calls and increased rates for some data and miscellaneous telecommunication services. As a result of the changes, rates for calls between points not more than 1,200 air miles apart increased while rates for calls of a distance greater than 1,450 decreased. Since the majority of calls carried by NBTel's network are in the former category, the Company received approximately $1.1 million in additional revenue in 1978. These rate adjustments, the first since 1975, have been implemented by all nine telephone companies in the TransCanada Telephone System. Rates for exchange telephone service and long distance calls within the province were not affected.

Financing

On July 12, the Company borrowed $25 million from Canadian investors to finance capital spending in the latter half of 1978 and in 1979. The 10% Debentures were priced to the public at par and mature on July 15, 2003.

Prior to the issue, ratings of the Company's debentures were reviewed by Canadian Bond Rating Service Ltd. of Montreal and Dominion Bond Rating Service Ltd. of Toronto. Canadian Bond Rating Service Ltd. upgraded the rating on the Company's debentures to A+. In its first evaluation of NBTel, Dominion Bond Rating Service Ltd. rated the debentures single A.

On March 15, 1978, the Company redeemed 51,450 $1.85 preferred shares at $20 per share to satisfy mandatory and optional sinking fund requirements for 1977. Under the original terms of issue, the Company must cancel 30,000 shares per calendar year and may also redeem, at its option, an additional 22,500 shares. The Company usually meets its requirements by buying shares in the market but, for most of 1977 and 1978, the price of the shares exceeded the maximum purchase price allowed in the terms of issue. No shares were purchased in 1978 to meet 1978 requirements and consequently, the Company plans to redeem 52,500 $1.85 preferred shares on March 15, 1979.



Common Shareholders' Dividend Reinvestment and Stock Purchase Plan

On January 25th, 1979, the Board of Directors approved a Common Shareholder Dividend Reinvestment and Stock Purchase Plan. The Company has filed an application with the New Brunswick Board of Commissioners of Public Utilities, which will be heard on February 13, 1979, for approval to issue shares in accordance with the terms of the plan. The new plan gives common shareholders the option to increase their holdings of Company common stock through the investment of cash dividends on their common shares of the Company and also (at their option) by making cash contributions of up to $3,000 per quarter.

Besides providing a new source of common equity capital, the plan provides economies for shareholders who enroll in the plan. Participants may purchase additional common shares at 95 per cent of the Average Market Price, as defined by the plan, with their reinvested common share dividends. Shares purchased with the optional cash contributions will be priced at 100 per cent of Average Market Price. Because the additional shares are newly issued shares, there will be no brokerage charges. Administration costs of the plan will be absorbed by the Company. Offering circulars describing the plan and subscription forms are presently being mailed to shareholders.

Regulation

Last year's annual report noted that a general rate decrease of 9 per cent was implemented January 1, 1978, following hearings before The New Brunswick Board of Commissioners of Public Utilities in November, 1977. The reductions, which adjusted rate increases granted in 1977 to offset the cost of provincial tax changes introduced that year, allowed the Company to retain enough additional revenue to offset the cost in 1978 of these tax changes. The 1977 tax assessment under the new property tax legislation was appealed by the Company in early 1978 but The New Brunswick Assessment Appeals Tribunal has not yet heard the case.

Currently, the Company believes it can achieve a good standard of service and improve earnings in 1979 without a general increase in rates for local and intra-provincial long distance service. If this outlook changes, the Company will file an application at the earliest opportunity.

On January 1, 1979, the Company expanded the base rate area in seven exchanges and introduced COMPLAN, an optional community calling service plan. These actions relate to continued urban growth and the changing calling patterns of the Company's customers.

Base rate areas are usually the more developed sections of exchanges where customers may obtain one and two party service without incurring a mileage charge. Beyond the base rate boundary, where population is not as densely concentrated, mileage charges are added to the rate for basic service. In Oromocto, Fredericton, Moncton, Chatham, Bathurst, Petit Rocher and Grand Falls base rate areas have been extended and approximately 4,500 customers are now paying lower monthly service rates.

COMPLAN was designed to meet the calling needs of customers in many exchanges where, due to changing economic and social patterns, the volume of calling to nearby exchanges has increased significantly but the calls are subject to long distance rates. As of January 1, 1979, these customers may subscribe to COMPLAN by paying a nominal monthly rate in addition to the normal basic rate. They are then entitled to a 35 per cent discount on all long distance calls to and from two selected exchanges provided that such calls are billed to their account. COMPLAN is being offered in nearly one-half of the Company's 101 exchanges.

Capital spending

To provide for current and future service growth, the Company spent $39.7 million in 1978 on its construction program, a decrease of $8.3 million from 1977. The size of the program reflects both an outlook for continued moderate economic growth in New Brunswick and the completion of the first phase of the Company's electronic switching conversion program.

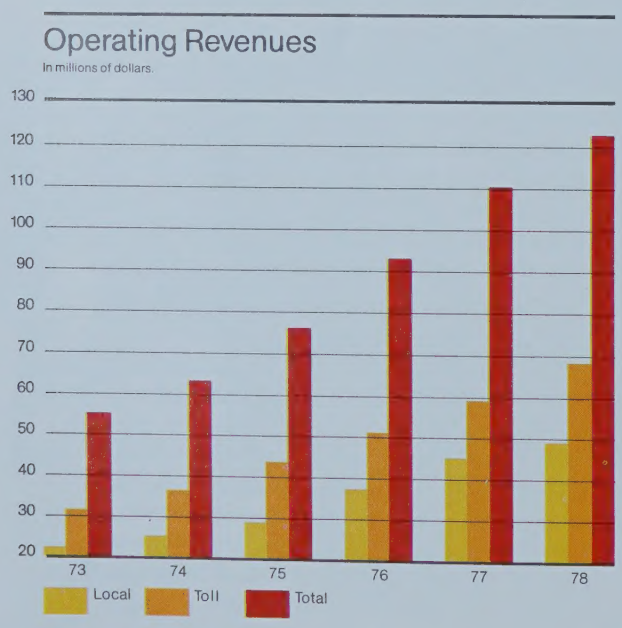
Capital programs for 1976 and 1977 both contained large expenditures for stored program electronic switching machines. The sixth and last SP-1 central office planned for New Brunswick is expected to be placed in service in April, 1979, to provide toll switching growth for the Saint John and surrounding areas. Engineering work on this project started in 1975 and the estimated total expenditure is expected to amount to $8.5 million. Of this, $7.7 million had been spent by the end of 1978. The project included a major building extension to house the equipment.

The next phase of the electronic conversion program commences in 1979 when engineering design work starts on the Company's first digital switching centre.

Over the next 20 years, NBTel's switching and transmission network will rely increasingly on digital technology. Rapid advances in digital electronics over the past few years have reduced the costs of digital switching substantially. Further savings will result from reduced power consumption and floor space requirements. In certain circumstances, one digital switch can serve several communities at once. Digital transmission allows the integration of all types of signals — voice, data and video — in the same information stream and hence will lead to a less expensive network that will be more responsive to specialized customer needs.

Major switching centre extensions were completed in 1978 in Newcastle, Grand Falls, Oromocto, Woodstock and Edmundston in order to meet current and forecast demand for local service in these communities. Approximately 3,900 customers in seven exchanges received Direct Distance Dialing (DDD) in 1978 enabling them to place their long distance calls without an operator's assistance. Fewer than 4 per cent of NBTel's customers are still without this service and they are scheduled to receive it by the end of 1979.

In 1978 the Company's toll open wire replacement program was completed. This program provided for the replacement of open wire facilities in NBTel's toll network with cable and cable carrier. This conversion enhances customer service by providing improved voice transmission and fewer service interruptions from environmental conditions and also provides facilities capable of carrying data services.



The capital program also included spending of $12.5 million on cable and other outside plant facilities and $8.0 million to acquire and install equipment on customer premises.

On November 28, 1978, the Company purchased the assets of Eastern Telephone and Telegraph Co. (ET&T) and Teleglobe Canada located in New Brunswick. The purchase was part of a joint acquisition

by the Company, Maritime Telegraph & Telephone Company, Limited and Newfoundland Telephone Company Limited. ET&T, a wholly owned subsidiary of the American Telephone & Telegraph Co. Ltd., operated a trans-Atlantic cable system originating in Clarenville, Newfoundland which was served in part by a microwave system crossing New Brunswick and Nova Scotia. Teleglobe Canada owned equipment located along the route for use in Canada - Overseas and other telecommunications. Before the purchase, NBTel had leased circuits on the microwave system for the provision of inter-city services.

In early 1978, NBTel signed contracts with three CATV operators under which the Company agreed to lease to the operators microwave facilities for carrying NBC and ABC television network programming from Moncton to Newcastle, Chatham, Bathurst and Dalhousie. The Company also contracted to place

approximately 200 miles of the operators' CATV distribution cable on the Company's pole facilities.

Work continued in 1978 on the Company's "Rural Service Improvement Program" (RSIP) and, in total $6.0 million was spent on improving rural service in the province including major work at 26 locations. As a result the Company has provided, or will supply, upgraded service to approximately 1,500 rural customers who have requested it.

At the end of 1976, approximately 4,000 rural customers had requested and were waiting for upgraded service. Spending to improve service in rural areas had enabled the Company to reduce this number to 2,250 by the end of 1978.

Negotiations between Company and union continue

Negotiations between the Company and Local 1148 of the International Brotherhood of Electrical Workers resumed in January, 1979, with the aid of a provincial government-appointed conciliation officer. Local 1148 of the IBEW represents 342 traffic employees and 785 craft and building service employees whose contracts expired on July 31, 1978, and June 27, 1978, respectively. Although a number of items are still outstanding, the question of wages appears to be the most important.

J.E.T.S. extended to Moncton

The Jack-Ended Telephone Service Program (JETS), first introduced in Saint John in 1977, was extended to Moncton in 1978. Approximately 55 per cent of the residences in Saint John and 22 per cent in the Moncton area are now wired for the service. As part of the program, phoneCentres were opened in both Moncton and Saint John so customers could obtain, return, exchange or arrange for repair of the plug-in telephones.

So far response to the JETS concept has been extremely favourable. Service charges to the subscriber and cost to the Company are both lower than for conventional installations. The Company hopes to begin extension of JETS to Fredericton in 1979.

Long Distance marketing campaigns

A residence long distance contest was introduced to increase long distance calling. Although contests are a familiar marketing strategy successfully used by many businesses, NBTel's contest was the first of its kind in the telephone industry.

Three prizes were awarded, each consisting of airline tickets and travellers cheques provided by Air Canada and American Express in exchange for publicity. To be eligible, customers submitted a list of any three long distance calls made from and billed to their home telephone number between September 1, 1978, and October 31, 1978. Over 71,000 entries were received from approximately 31,000, or 16 per cent, of residence customers.

As part of a market trial promotion, funded by the TransCanada Telephone System, long distance calling on two special occasions, Valentine's Day and Father's Day, was successfully promoted in three major New Brunswick centres. The campaigns were designed to increase long distance revenues and to encourage customers to use long distance instead of or along with a greeting card on special occasions. Similar campaigns will be used again in 1979.

Computer communications facilities expanded

During 1978, NBTel spent approximately $541,000 expanding the digital data communications network of Dataroute®. More will be spent over the next four years to ensure that the needs of this rapidly growing market are satisfied. As part of its Computer Communication services, the Company sells or leases video display terminals, teleprinters, data sets, and rents analog and digital network services. The Company's Teldata Division offers a wide range of computer services including computer processing, programming, sales and rentals of computer equipment, and data preparation services.

The full range of Datapac® services is available to businesses in Moncton, Saint John and Fredericton. Datapac® is the packet-switched network operated by the TransCanada Telephone System across Canada utilizing the digital Dataroute® network. Specialized software services have been added since the inception of Datapac® in early 1977, including Datapac® 3201 which is designed for point-of-sale terminal applications in the retail market such as inquiry/response systems for credit verification, and Datapac® 3203, designed for the consumer loan industry, to provide for transmission of data between branches and head office.

Brunswick Square expands

The third phase of the Brunswick Square project, a public parking garage, was opened in December, 1978. The garage, owned by the Saint John Parking Commission and operated by Brunswick Square Ltd., provides 650 parking spaces to tenants and customers of the Brunswick Square retail - office complex and the general public.

Additional phases of the development, including a hotel and additional retail space, are planned. The Company, through its wholly owned subsidiary Bruntel Holdings Ltd., owns 29.5 per cent of Brunswick Square Ltd.

Board of Directors changes

William M. Cavanaugh resigned as a member of the Board of Directors on February 27, 1978, due to ill health. Mr. Cavanaugh had been a Director since 1971 and had also served on the Board's Audit Committee. On October 2, 1978, R. Whidden Ganong also retired from the Board of Directors. He had been a Board member since 1951 and had served on the Executive Committee for the past 23 years. Both Mr. Cavanaugh and Mr. Ganong were valued members during their association with the Company. Their contributions will be greatly missed.

Two new appointments were made to the Board of Directors during the year. J. T. Richard Savoie of Caraquet was elected to the Board effective February 28, 1978. Mr. Savoie is Assistant General Manager of La Fédération des Caisses Populaires Acadiennes Ltée and holds numerous positions in other businesses and community organizations.

On October 3, 1978, James A. MacMurray of Saint John, became a Director. Mr. MacMurray is Chairman of the Board of Maritime Beverages Limited and Fundy Cablevision Ltd., President of M.R.A. Holdings Ltd. and Edmundston Cablevision Ltd. and Vice-President of Fundy Broadcasting Co. Ltd. He is a director of a number of companies, including Brunswick Mining & Smelting Corporation Ltd. and Wandlyn Motels Ltd.

Joseph A. Likely was appointed to the Audit Committee of the Board effective February 28, 1978, and the Executive Committee effective October 3, 1978. He has been a Company Director since 1967.

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Officers

Kenneth V. Cox
Chairman of the Board and
Chief Executive Officer

Eldon D. Thompson
President and
Chief Operating Officer

W. H. R. Smith
Vice-President, Operations

G. E. Graham
Vice-President, Planning

J. A. Coombs
Vice-President, Finance

J. T. Reid
Secretary-Treasurer

Directors

Harry Bowler†
Vice-President, Finance
Bell Canada
Montreal, Quebec

John G. Burchill
Chairman of the Board
Geo. Burchill & Sons (Plywood) Limited
Nelson-Miramichi, N.B.

D. Chester Campbell
President
Tractors and Equipment (1962) Limited
Fredericton, N.B.

Léandre Chiasson
President
L. Chiasson Furs Ltd.
Edmundston, N.B.

J. Eric Cormier†
President
White Cab Company, Limited
Moncton, N.B.

Kenneth V. Cox*
Chairman of the Board and
Chief Executive Officer
The New Brunswick Telephone Company, Limited
Saint John, N.B.

Robert C. Eddy*†
245 St. Patrick Street
Bathurst, N.B.

Joseph Alfred R. Landry, Q.C.
Senior Partner
Landry, LeBreton & McIntyre
Moncton, N.B.

Joseph A. Likely*†
President
Likely Equipment Limited
Ononette, N.B.

Leonard Lockhart*
Chairman of the Board
Lockharts Limited
Moncton, N.B.

James A. MacMurray
Chairman of the Board
Maritime Beverages Limited
Saint John, N.B.

Andrew H. McCain*
President and General Manager
McCain Produce Co., Limited
Florenceville, N.B.

J. T. Richard Savoie
Assistant General Manager
Acadian Credit Union Federation Limited
Caraquet, N.B.

Eldon D. Thompson*
President and Chief
Operating Officer
The New Brunswick Telephone Company, Limited
Saint John, N.B.

Orland Tropea*
Executive Vice-President, Administration
Bell Canada
Montreal, Quebec

* Member of Executive Committee
† Member of Audit Committee

Stock Transfer Offices

The New Brunswick Telephone Company, Limited
One Brunswick Square
Saint John, New Brunswick

The Royal Trust Company
Halifax, Montreal, Toronto, Winnipeg,
Regina, Calgary and Vancouver

Registrar for Stock

The Royal Trust Company
Saint John, Halifax, Montreal, Toronto,
Winnipeg, Regina, Calgary and Vancouver

Stock Listed

Montreal Stock Exchange
Toronto Stock Exchange

Trustee for Debentures

Montreal Trust Company

Head Office of the Company

Fredericton, New Brunswick

Executive Office

Saint John, New Brunswick

CONSOLIDATED INCOME STATEMENT (in thousands)

Year ended December 31	1978	1977
Operating revenues		
Local service	$ 49 048	$ 45 416
Long distance service	68 157	59 674
Other	6 475	5 558
Less: uncollectible operating revenues	463	470
	123 217	**110 178**
Operating expenses		
Depreciation—note 1	21 798	19 354
Maintenance	16 881	15 208
Other operating expenses	40 394	36 225
Pensions and other employee benefits—note 1	4 595	4 265
	83 668	**75 052**
Operating income	**39 549**	**35 126**
Other income		
Allowance for funds used during construction—note 1	941	1 325
Interest	951	905
Other	363	256
	2 255	**2 486**
Income before underlisted items	**41 804**	**37 612**
Other charges		
Interest on long-term debt	10 986	9 715
Other interest	283	89
Amortization of long-term debt expense	92	83
Amortization of unrealized foreign exchange loss—note 1	246	—
	11 607	**9 887**
Income before income taxes	**30 197**	**27 725**
Income taxes—note 1	**14 348**	**12 780**
Net earnings	**$ 15 849**	**$ 14 945**
***Earnings per common share**	**$ 2.30**	**$ 2.18**

*Based on average common shares outstanding

CONSOLIDATED BALANCE SHEET (in thousands)

Assets, December 31	1978	1977
Telecommunications property (at cost)		
Buildings, plant and equipment	$394 699	$359 709
Less: accumulated depreciation—note 1	118 358	103 028
	276 341	256 681
Land, and plant under construction	16 771	19 831
Construction materials	4 502	5 447
	297 614	**281 959**
Investments—note 2	**2 817**	**2 805**
Current assets		
Cash	1 287	—
Temporary cash investments (at cost—approximates market)	21 749	—
Accounts receivable	17 991	16 842
Prepayments	1 225	372
	42 252	**17 214**
Deferred charges		
Long-term debt expense	1 624	1 238
Unrealized loss on foreign currency—note 1	3 244	1 926
	4 868	**3 164**
Total assets	**$347 551**	**$305 142**

Vice-President, Finance
The New Brunswick Telephone Company, Limited

Signed on behalf of the Board of Directors:

Director

Director

Liabilities and Shareholders' Equity, December 31	1978	1977
Shareholders' equity		
Capital stock—note 3		
Preferred	$ 19 647	$ 20 832
Common	62 264	61 095
Contributed surplus	11 093	10 510
Retained earnings	37 639	32 971
	130 643	**125 408**
Long-term debt—note 4	**134 472**	**110 908**
Current liabilities		
Bank indebtedness	39	1 741
Accounts payable and accrued charges	15 027	9 361
Income tax payable	2 519	2 794
Dividends payable	2 491	2 321
Interest accrued on long-term debt	4 353	3 153
Long-term debt due within one year—note 4	3 000	—
	27 429	**19 370**
Deferred credits		
Deferred income tax—note 1	54 047	48 614
Employees' stock plan—note 5	960	842
	55 007	**49 456**
Total liabilities and shareholders' equity	**$347 551**	**$305 142**

AUDITORS' REPORT

To the Shareholders of The New Brunswick Telephone Company, Limited:

We have examined the consolidated balance sheet of The New Brunswick Telephone Company, Limited as at December 31, 1978 and the consolidated statements of income, retained earnings, contributed surplus and sources of funds used for construction for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the sources of its funds used for construction for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in translation of foreign currency referred to in note 1.f. to the consolidated financial statements, with which we agree, on a basis consistent with that of the preceding year.

Saint John, N.B.,
January 25, 1979.

Clarkson, Gordon & Co.

Chartered Accountants

CONSOLIDATED STATEMENT OF SOURCES OF FUNDS USED FOR CONSTRUCTION (in thousands)

Year ended December 31	1978	1977
All sources of funds		
From operations:		
Net earnings	$15 849	$14 945
Items not requiring current funds:		
Depreciation	22 531	20 052
Deferred income tax	5 433	7 010
Amortization of unrealized foreign exchange loss	246	—
Less: allowance for funds used during construction	941	1 325
equity in undistributed earnings of unconsolidated investment	13	16
	43 105	**40 666**
Issue of common stock	1 744	1 516
Issue of debentures	25 000	—
Miscellaneous items	(268)	183
	69 581	**42 365**
Funds used for other than construction		
Dividends on preferred shares	1 681	1 764
Dividends on common shares	9 500	9 186
Preferred shares purchased for cancellation	1 177	202
Long-term debt due within one year	3 000	—
Increase (decrease) in working capital	16 979	(15 316)
	32 337	**(4 164)**
Funds used for construction	**$37 244**	**$46 529**

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS (in thousands)

Year ended December 31	1978	1977
Balance at beginning of year	**$10 510**	$10 292
Discount on preferred shares purchased for cancellation	8	19
Premium on common shares issued	575	199
Balance at end of year	**$11 093**	$10 510

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (in thousands)

Year ended December 31	1978	1977
Balance at beginning of year	**$32 971**	$28 976
Add:		
Net earnings	15 849	14 945
	48 820	43 921
Deduct:		
Dividends on preferred shares	1 681	1 764
Dividends on common shares	9 500	9 186
Balance at end of year	**$37 639**	$32 971

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a. CONSOLIDATED FINANCIAL STATEMENTS include the accounts of the wholly owned subsidiaries, Management Development Services, Ltd., Teldata Limited and Bruntel Holdings Ltd. and its subsidiary.

b. DEPRECIATION is calculated on a straight-line basis over the estimated useful life of telecommunications property by applying rates, determined by a continuing program of engineering studies, to the Company's investment by class of property. The composite rate for 1978 was 5.99 percent (5.97 percent for 1977).

c. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION is included in income and added to the cost of property to provide for a return on capital invested in new telecommunications property while under construction.

d. INCOME TAX EXPENSE is accounted for under the tax allocation method. Under this method income taxes have been calculated on reported income rather than on earnings currently taxable.

e. PENSION FUND OBLIGATIONS are computed by annual actuarial reviews and studies, using the aggregate funding method. Under this method, pension costs, including prior service costs, and all changes in costs due to experience or other factors are paid and accounted for over the remaining working lifetime of employees. An actuarial valuation as of December 31, 1976, indicated that all vested benefits were fully funded. The provision for pension fund costs for 1978, computed as 11.9 percent of salaries and wages, was $4,910,000 including the portion capitalized (11.9 percent and $4,597,000 for 1977).

f. LONG-TERM DEBT PAYABLE IN FOREIGN CURRENCY, beginning in 1978, is stated in Canadian dollars at the exchange rate prevailing at the balance sheet date and the resulting unrealized loss is amortized over the remaining life of the debt. The effect of this accounting policy on income of prior periods is not material in amount. The comparative balance sheet amounts for unrealized loss on foreign currency and long-term debt for 1977 have been restated to reflect the accounting policy for 1978.

2. INVESTMENTS represent mainly $1,771,000 invested in Brunswick Square Ltd. and $798,000 in Telesat Canada Limited. Brunswick Square Ltd. was formed by a Canadian Chartered bank, M. R. A. Holdings Ltd., Trizec Corporation Ltd., and Bruntel Holdings Ltd., to develop a commercial complex in Saint John, New Brunswick, in which the Company houses its main offices.

3. CAPITAL STOCK

Authorized—

344 862	$1.37 cumulative redeemable preferred shares of the par value of $20 each
637 500	$1.85 cumulative redeemable preferred shares of the par value of $20 each
10 000 000	common shares of the par value of $10 each

Issued—		1978	1977
344 862	$1.37 preferred shares (1977 — 352 672 shares)	$ 6 897 240	$ 7 053 440
637 500	$1.85 preferred shares (1977 — 688 950 shares)	12 750 000	13 779 000
6 226 343	common shares (1977 — 6 109 498 shares)	62 263 430	61 094 980
		$81 910 670	$81 927 420

The Company shall make all reasonable efforts to purchase for cancellation in the open market up to 10,000 of the $1.37 preferred shares in each calendar year, on a non-cumulative basis, at a price not exceeding par value.

In addition, the Company may redeem, at its option, these shares at par value plus a premium of $1.00 if redeemed before March 15, 1981; the premium thereafter decreasing $.20 every three years to March 15, 1990.

The Company shall for sinking fund purposes redeem 30,000 $1.85 preferred shares, and may redeem, at its option, an additional 22,500 shares, on or before March 15 of each year. After March 15, 1980, the Company may redeem, at its option, these shares, other than for sinking fund purposes, at a premium of $1.40 if redeemed before March 15, 1983; the premium thereafter decreasing $.20 every three years to March 15, 1998.

During the year, in accordance with the terms of the issues, the Company purchased 7,810 $1.37 preferred shares and redeemed 51,450 $1.85 preferred shares for cancellation.

At December 31, 1978, 379,827 common shares were reserved for issue under the employees' stock plan.

4. LONG-TERM DEBT DEBENTURES (IN THOUSANDS)

			1978	1977
Series G	5-1/8%	due April 1, 1979	$ 3 000	$ 3 000
Series H	5-5/8%	due March 1, 1982	5 000	5 000
Series I	5-3/4%	due March 1, 1984	5 000	5 000
Series J	6-1/2%	due September 1, 1986	7 000	7 000
Series K	7-1/4%	due November 15, 1987	6 000	6 000
Series L	7-3/4%	due December 1, 1988	5 000	5 000
Series M	9-1/4%	due June 1, 1990	1 310	1 310
Series N	8-3/20%	due March 2, 1983 - 97	15 000	15 000
Series O	9-1/2%	due April 15, 1996	20 000	20 000
Series P	10-7/8%	due July 2, 1997	25 000	25 000
Series Q	9-3/8%	due September 15, 1982 - 2001 ($17 million U.S. funds)	20 162	18 598
Series R	10%	due July 15, 2003	25 000	—
			137 472	110 908
Less:	Series G	maturing April 1, 1979	3 000	—
			$134 472	$110 908

Annual repayment of long-term debt for each of the next five years is as follows:

Year	Amount
1979	$3 000
1980	Nil
1981	Nil
1982	6 008
1983	2 008

5. EMPLOYEES' STOCK PLAN represents amount contributed by employees, and the interest thereon, pursuant to a policy under which an employee may assign up to 10 percent of his basic wage and also assign dividends from shares purchased under the plan for the purchase of common shares of the Company at 80 percent of the market price or at the par value of the shares, whichever is the greater.

6. LONG-TERM LEASE obligations cover rentals of building space, circuits and equipment with the major obligation being a thirty year lease to 2006, with renewal options, for headquarters office space in the Brunswick Square complex. Related rentals for the year ended December 31, 1978, amounted to $3,185,000 ($3,037,000 for the year ended December 31, 1977). The minimum obligation for the five years ending December 31, 1983, is $10,339,000 of which $6,715,000 is applicable to the Brunswick Square complex lease.

7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS amounted to $428,000 for the year ended December 31, 1978.

8. The Company has complied with the Anti-Inflation Act with respect to prices, dividends and compensation.

STATISTICAL SUMMARY (CONSOLIDATED)

Financial position items (in thousands) (at December 31)	1978	1977	1976	1975	1974	1973
Telecommunications property	$415 972	$384 987	$347 382	$302 576	$269 171	$231 083
Accumulated depreciation	118 358	103 028	93 229	84 661	75 997	65 109
Shareholders' equity	130 643	125 408	120 100	98 568	81 020	78 678
Long-term debt (including current portion)	137 472	110 908**	110 982	99 310	83 000	65 000
Deferred income tax	54 047	48 614	41 604	35 433	30 749	25 556
Income and expense items (in thousands)						
Operating revenues	$123 217	$110 178	$92 648	$76 451	$63 550	$55 410
Operating expenses	83 668	75 052	63 637	52 754	44 882	36 755
Interest on long-term debt	10 986	9 715	8 474	7 212	5 777	4 326
Income taxes	14 348	12 780	10 097	8 469	7 098	7 385
Net earnings	15 849	14 945	12 978*	9 692	7 390	7 952
Financial statistics						
Common equity per common share Dec. 31	$17.83	$17.12	$16.57	$15.76	$15.37	$14.99
Earnings per common share	2.30	2.18	2.20*	1.68	1.44	1.60
Dividends declared per common share	1.54	1.52	1.36	1.12	1.02	0.94
Embedded cost of debt	9.2%	8.7%**	8.6%	8.1%	7.5%	6.9%
Debt ratio Dec. 31	51.3%	46.9%**	48.0%	50.2%	50.6%	45.2%
Times interest earned before tax	3.7	3.8	3.7	3.5	3.5	4.6
Return on common shareholders' equity	13.2%	13.1%	13.5%*	10.9%	9.5%	10.8%
Return on total invested capital	10.8%	10.6%**	10.6%*	9.2%	8.4%	8.8%
Telephone statistics						
Telecommunications property per telephone Dec. 31	$1 159	$1 123	$1 047	$943	$897	$828
Telephones in service Dec. 31	358 842†	342 920†	331 838†	320 711	300 161	279 132
Telephones added during the year	15 632	11 270	11 931	20 550	21 029	22 059
Annual long distance messages (in thousands)	30 976	27 952	26 181	24 495	20 517	16 700
Miscellaneous statistics						
Salaries and wages (in thousands)	$41 536	$38 470	$35 560	$30 728	$25 189	$20 790
Employees Dec. 31	2 708	2 671	2 711	2 725	2 631	2 483
Common shareholders Dec. 31	11 685	11 702	11 765	10 806	11 002	11 344
Construction expenditures (in thousands)	$39 690	$48 019	$55 835	$42 004	$40 869	$29 713

* Before extraordinary income

** Restated to reflect unrealized loss on foreign currency

† Includes adjustment applicable to prior years

STATISTICAL REPORT

A five year statistical summary providing additional data on the Company's operations is available, without charge, upon written request to:

Secretary-Treasurer
The New Brunswick Telephone Company, Limited
P.O. Box 1430
Saint John, N.B.
E2L 4K2

SOMMAIRE STATISTIQUE (consolidé)

Postes de la situation financière (en milliers) (au 31 déc.)	1978	1977	1976	1975	1974	1973
Propriétés de télécommunication	$415 972	$384 987	$347 382	$302 576	$269 171	$231 083
Amortissement accumulé	118 358	103 028	93 229	84 661	75 997	65 109
Avoir des actionnaires	130 643	125 408	120 100	98 568	81 020	78 678
Dette à long terme (y compris la partie à court terme)	137 472	110 908**	110 982	99 310	83 000	65 000
Impôt sur le revenu reporté	54 047	48 614	41 604	35 433	30 749	25 556
Postes de revenus et dépenses (en milliers)						
Revenus d'exploitation	$123 217	$110 178	$92 648	$76 451	$63 550	$55 410
Dépenses d'exploitation	83 668	75 052	63 637	52 754	44 882	36 755
Intérêts sur la dette à long terme	10 986	9 715	8 474	7 212	5 777	4 326
Impôts sur le revenu	14 348	12 780	10 097	8 469	7 098	7 385
Bénéfice net	15 849	14 945	12 978*	9 692	7 390	7 952
Statistiques financières						
Avoir par action ordinaire, 31 déc.	$17.83	$17.12	$16.57	$15.76	$15.37	$14.99
Bénéfice par action ordinaire	2.30	2.18	2.20*	1.68	1.44	1.60
Dividendes déclarés par action ordinaire	1.54	1.52	1.36	1.12	1.02	0.94
Coût réel de la dette	9.2%	8.7%**	8.6%	8.1%	7.5%	6.9%
Ratio d'endettement, 31 déc.	51.3%	46.9%**	48.0%	50.2%	50.6%	45.2%
Couverture des intérêts avant impôt	3.7	3.8	3.7	3.5	3.5	4.6
Rendement de l'avoir des détenteurs d'actions ordinaires	13.2%	13.1%	13.5%*	10.9%	9.5%	10.8%
Rendement du capital total investi	10.8%	10.6%**	10.6%*	9.2%	8.4%	8.8%
Statistiques téléphoniques						
Propriétés de télécommunication par téléphone, 31 décembre	$1 159	$1 123	$1 047	$943	$897	$828
Téléphones en service, 31 décembre	358 842†	342 920†	331 838†	320 711	300 161	279 132
Nouveaux téléphones qu cours de l'exercice	15 632	11 270	11 931	20 550	21 029	22 059
Appels interurbains annuels (en milliers)	30 976	27 952	26 181	24 495	20 517	16 700
Statistiques diverses						
Traitements et salaires (en milliers)	$41 536	$38 470	$35 560	$30 728	$25 189	$20 790
Employés, 31 déc.	2 708	2 671	2 711	2 725	2 631	2 483
Détenteurs d'actions ordinaires, 31 déc.	11 685	11 702	11 765	10 806	11 002	11 344
Dépenses de construction (en milliers)	$39 690	$48 019	$55 835	$42 004	$40 869	$29 713

* Avant revenu extraordinaire

** Redressé de façon à refléter la perte sur change non réalisée

† Comprenant un redressement affecté aux exercices antérieurs

RAPPORT STATISTIQUE

On peut se procurer gratuitement un sommaire statistique couvrant cinq exercices et fournissant des renseignements supplémentaires sur l'exploitation de la Compagnie en écrivant à:

The New Brunswick Telephone Company, Limited
A l'attention du secrétaire trésorier
C.P. 1430
Saint John, N.-B.
E2L 4K2

4. DETTE A LONG TERME DEBENTURES (EN MILLIERS DE DOLLARS)

			1978	1977
Série G	5-1/8%	échéant le 1er avril 1979	$ 3 000	$ 3 000
Série H	5-5/8%	échéant le 1er mars 1982	5 000	5 000
Série I	5-3/4%	échéant le 1er mars 1984	5 000	5 000
Série J	6-1/2%	échéant le 1er septembre 1986	7 000	7 000
Série K	7-1/4%	échéant le 15 novembre 1987	6 000	6 000
Série L	7-3/4%	échéant le 1er décembre 1988	5 000	5 000
Série M	9-1/4%	échéant le 1er juin 1990	1 310	1 310
Série N	8-3/20%	échéant le 2 mars 1983 - 97	15 000	15 000
Série O	9-1/2%	échéant le 15 avril 1996	20 000	20 000
Série P	10-7/8%	échéant le 2 juillet 1997	25 000	25 000
Série Q	9-3/8%	échéant le 15 septembre 1982 - 2001 ($17,000,000 US)	20 162	18 598
Série R	10%	échéant le 15 juillet 2003	25 000	—
			137 472	110 908
Moins:	série G	échéant le 1er avril 1979	3 000	—
			$134 472	$110 908

Le remboursement annuel de la dette à long terme pour chacun des cinq prochains exercices s'établit comme suit:

Exercice	Montant
1979	$3 000
1980	Néant
1981	Néant
1982	6 008
1983	2 008

5. LE PROGRAMME D'ACHAT D'ACTIONS DES EMPLOYES représente les sommes versées par les employés, plus les intérêts, conformément à une ligne de conduite selon laquelle un employé peut affecter à l'achat d'actions ordinaires de la Compagnie jusqu'à concurrence de 10 pour cent de sa rémunération de base ainsi que les dividendes reçus sur les actions achetées aux termes dudit programme, à un prix équivalant à 80 pour cent du cours du marché des actions ou à leur valeur nominale, suivant le plus élevé de ces deux montants.

6. LES ENGAGEMENTS EN VERTU DE BAUX A LONG TERME couvrent la location de locaux, de circuits et d'équipement, le principal engagement étant un bail de trente ans jusqu'à 2006, avec des options de renouvellement, relativement à des locaux pour des bureaux administratifs au complexe Brunswick Square. Les loyers correspondants pour l'exercice terminé le 31 décembre 1978 se sont élevés à $3,185,000 ($3,037,000 pour l'exercice terminé le 31 décembre 1977). Le montant minimal d'engagements pour les cinq exercices se terminant le 31 décembre 1983 est de $10,339,000 dont $6,715,000 s'appliquent au bail du complexe Brunswick Square.

7. LA REMUNERATION DES ADMINISTRATEURS ET DES HAUTS DIRIGEANTS s'est élevée à $428,000 pour l'exercice terminé le 31 décembre 1978.

8. La Compagnie s'est conformée à la Loi anti-inflation à l'égard des prix, des dividendes et de la rémunération.

NOTES AFFERENTES AUX ETATS FINANCIERS CONSOLIDES

1. CONVENTIONS COMPTABLES

a. LES ETATS FINANCIERS CONSOLIDES comprennent les comptes des filiales en propriété exclusive, Management Development Services Ltd., Teldata Limited ainsi que Bruntel Holdings Ltd. et sa filiale.

b. L'AMORTISSEMENT est calculé suivant la méthode linéaire selon la durée prévue d'utilisation des propriétés de télécommunication, par l'application de taux, déterminés par un programme continu d'études techniques, aux investissements de la Compagnie par catégorie de propriétés. Le taux composite pour 1978 était de 5.99 pour cent (5.97 pour cent pour 1977).

c. LA PROVISION POUR FONDS UTILISES PENDANT LA CONSTRUCTION est incluse dans le bénéfice et ajoutée au prix coûtant des propriétés afin d'attribuer un rendement au capital investi dans les nouvelles propriétés de télécommunication en construction.

d. LA DEPENSE D'IMPOT SUR LE REVENU est comptabilisée suivant la méthode du report d'impôt. En vertu de cette méthode, les impôts sur le revenu sont calculés à partir du revenu comptable plutôt qu'à partir du revenu immédiatement imposable.

e. LES OBLIGATIONS RELATIVES AU REGIME DE RETRAITE sont calculées annuellement au moyen de revues et d'études actuarielles, suivant la méthode de capitalisation globale. En vertu de cette méthode, les frais du régime de retraite, y compris les frais des services passés et tous les changements aux frais effectués en raison de l'expérience ou d'autres facteurs, sont payés et comptabilisés sur la période de travail qu'il reste aux employés. Une évaluation actuarielle au 31 décembre 1976, indiquait que tous les avantages acquis étaient entièrement capitalisés. La provision établie à l'égard des frais de retraite pour 1978, calculée à 11.9 pour cent des traitements et salaires, a été de $4,910,000, y compris la fraction capitalisée (11.9 pour cent) et $4,597,000 pour 1977).

f. LA DETTE A LONG TERME A REMBOURSER EN DEVISES ETRANGERES, commençant en 1978, est établie en dollars canadiens au taux de change en vigueur à la date du bilan et la perte non réalisée qui en résulte est amortie sur la durée à courir de la dette. L'effet de cette convention comptable sur le bénéfice des exercices antérieurs ne représente pas une somme importante. Les chiffres correspondants de la perte sur change non réalisée et de la dette à long terme pour 1977, figurant au bilan, ont été redressés de façon à refléter la convention comptable adoptée en 1978.

2. LES PLACEMENTS consistent essentiellement en investissements de $1,771,000 dans Brunswick Square Ltd. et de $798,000 dans Télésat Canada Limitée. Brunswick Square Ltd. a été mise sur pied par une banque à charte canadienne, M.R.A. Holdings Ltd., Trizec Corporation Ltd. et Bruntel Holdings Ltd. pour la construction à Saint John, au Nouveau-Brunswick, d'un complexe commercial dans lequel la Compagnie a ses principaux bureaux administratifs.

3. CAPITAL-ACTIONS:

Autorisé —

344 862	actions privilégiées rachetables, à dividende cumulatif de $1.37, d'une valeur nominale de $20 chacune
637 500	actions privilégiées rachetables, à dividende cumulatif de $1.85, d'une valeur nominale de $20 chacune
10 000 000	d'actions ordinaires d'une valeur nominale de $10 chacune

Emis —		1978	1977
344 862	actions privilégiées de $1.37 (1977 — 352 672 actions)	$ 6 897 240	$ 7 053 440
637 500	actions privilégiées de $1.85 (1977 — 688 950 actions)	12 750 000	13 779 000
6 226 343	actions ordinaires (1977 - 6 109 498 actions)	62 263 430	61 094 980
		$81 910 670	$81 927 420

La Compagnie devra tenter, dans la mesure du possible, d'acheter aux fins d'annulation, sur le marché libre, jusqu'à concurrence de 10,000 actions privilégiées de $1.37 au cours de chaque année civile, sur une base non cumulative, à un prix n'excédant pas la valeur nominale. De plus, la Compagnie peut racheter ces actions, à son gré, à la valeur nominale plus une prime de $1 si le rachat a lieu avant le 15 mars 1981, ladite prime diminuant par la suite de 20c tous les trois ans jusqu'au 15 mars 1990.

La Compagnie doit, aux fins du fonds d'amortissement, racheter 30,000 actions privilégiés de $1.85, et elle pourra racheter, à son gré, 22,500 actions supplémentaires au plus tard le 15 mars de chaque année. Après le 15 mars 1980, la Compagnie pourra racheter les actions, à son gré, à des fins autres que celles du fonds d'amortissement, moyennant une prime de $1.40 si le rachat a lieu avant le 15 mars 1983. Par la suite, cette prime sera réduite de 20c tous les trois ans jusqu'au 15 mars 1998.

Au cours de l'exercice, conformément aux conditions des émissions, la Compagnie a acheté 7,810 actions privilégiées de $1.37 et a racheté 51,450 actions privilégiées de $1.85 aux fins d'annulation.

Au 31 décembre 1978, 379,827 actions ordinaires étaient réservées aux fins d'émission en vertu du programme d'achat d'actions des employés.

ETAT CONSOLIDE DU SURPLUS D'APPORT (en milliers de dollars)

Exercice terminé le 31 décembre	1978	1977
Solde au début de l'exercice	**$10 510**	$10 292
Escompte à l'achat d'actions privilégiées au fins d'annulation	8	19
Prime à l'émission d'actions ordinaires	575	199
Solde à la fin de l'exercice	**$11 093**	$10 510

ETAT CONSOLIDE DES BENEFICES NON REPARTIS (en milliers de dollars)

Exercice terminé le 31 décembre	1978	1977
Solde au début de l'exercice	**$32 971**	$28 976
Plus:		
Bénéfice net	15 849	14 945
	48 820	43 921
Moins:		
Dividendes sur actions privilégiées	1 681	1 764
Dividendes sur actions ordinaires	9 500	9 186
Solde à la fin de l'exercice	**$37 639**	$32 971

ETAT CONSOLIDE DE LA PROVENANCE DES FONDS UTILISES POUR LA CONSTRUCTION
(en milliers de dollars)

Exercice terminé le 31 décembre	1978	1977
Provenance des fonds		
Exploitation:		
Bénéfice net	$15 849	$14 945
Postes n'exigeant pas de fonds à court terme:		
Amortissement	22 531	20 052
Impôt sur le revenu reporté	5 433	7 010
Amortissement de la perte sur change non réalisée	246	—
Moins: provision pour fonds utilisés pendant la construction	941	1 325
quote-part des bénéfices non répartis dans les placements non consolidés	13	16
	43 105	**40 666**
Emission d'actions ordinaires	1 744	1 516
Emission de débentures	25 000	—
Postes divers	(268)	183
	69 581	**42 365**
Utilisation des fonds à d'autres fins que la construction		
Dividendes sur actions privilégiées	1 681	1 764
Dividendes sur actions ordinaires	9 500	9 186
Actions privilégiées achetées aux fins d'annulation	1 177	202
Dette à long terme échéant en deçà d'un an	3 000	—
Augmentation (diminution) du fonds de roulement	16 979	(15 316)
	32 337	**(4 164)**
Fonds utilisés pour la construction	**$37 244**	**$46 529**

Passif et avoir des actionnaires, 31 décembre	1978	1977
Avoir des actionnaires		
Capital-actions—note 3		
Actions privilégiées	$ 19 647	$ 20 832
Actions ordinaires	62 264	61 396
Surplus d'apport	11 093	10 510
Bénéfices non répartis	37 639	32 971
	130 643	**125 408**
Dette à long terme—note 4	**134 472**	**110 908**
Passif à court terme		
Dette bancaire	39	1 741
Créditeurs et frais courus	15 027	9 361
Impôt sur le revenu à payer	2 519	2 794
Dividendes à payer	2 491	2 321
Intérêts courus sur la dette à long terme	4 353	3 153
Dette à long terme échéant en deça d'un an—note 4	3 000	—
	27 429	**19 370**
Crédits reportés		
Impôt sur le revenu reporté—note 1	54 047	48 614
Programme d'achat d'actions des employés—note 5	960	842
	55 007	**49 456**
Total du passif et de l'avoir des actionnaires	**$347 551**	**$305 142**

RAPPORT DES VERIFICATEURS

Aux actionnaires de The New Brunswick Telephone Company, Limited;

Nous avons vérifié le bilan consolidé de The New Brunswick Telephone Company, Limited au 31 décembre 1978 ainsi que l'état consolidé des revenus et dépenses, l'état consolidé des bénéfices non répartis, l'état consolidé du surplus d'apport et l'état consolidé de la provenance des fonds utilisés pour la construction pour l'exercice terminé à cette date. Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues, et a comporté par conséquent les sondages et autres procédés que nous avons jugés nécessaires dans les circonstances.

A notre avis, ces états financiers consolidés présentent fidèlement la situation financière de la compagnie au 31 décembre 1978 ainsi que les résultats de son exploitation et la provenance de ses fonds utilisés pour la construction pour l'exercice terminé à cette date selon les principes comptables généralement reconnus, après avoir donné un effet rétroactif au changement dans la conversion des devises étrangères dont il est fait mention à la note 1f) afférente aux états financiers consolidés, sur lequel nous sommes d'accord, appliqués de la même manière qu'au cours de l'exercice précédent.

Saint John, Nouveau-Brunswick,
le 25 janvier 1979.

Clarkson, Gordon & Cie
Comptables Agréés

BILAN CONSOLIDE (en milliers de dollars)

Actif, 31 décembre	1978	1977
Propriétés de télécommunication (au prix coûtant)		
Bâtiments, installations et equipement	$394 699	$359 709
Moins: amortissement accumulé—note 1	118 358	103 028
	276 341	256 681
Terrains et installations en construction	16 771	19 831
Materiaux de construction	4 502	5 447
	297 614	**281 959**
Placements—note 2	**2 817**	**2 805**
Actif à court terme		
Encaisse	1 287	—
Placements temporaires de fonds (au prix coûtant — approchant la valeur du marché)	21 749	—
Débiteurs	17 991	16 842
Frais payés d'avance	1 225	372
	42 252	**17 214**
Frais reportés		
Frais de la dette à long terme	1 624	1 238
Perte sur change non réalisée—note 1	3 244	1 926
	4 868	**3 164**
Total de l'actif	**$347 551**	**$305 142**

Vice-président, Finances
The New Brunswick Telephone Company, Limited

Signé au nom du Conseil d'administration

Administrateur

Administrateur

ETAT CONSOLIDE DES REVENUS ET DEPENSES (en milliers de dollars)

Exercice terminé le 31 décembre	1978	1977
Revenus d'exploitation		
Service local	$ 49 048	$ 45 416
Service interurbain	68 157	59 674
Divers	6 475	5 558
Moins: revenus d'exploitation irrécouvrables	463	470
	123 217	**110 178**
Dépenses d'exploitation		
Amortissement—note 1	21 798	19 354
Entretien	16 881	15 208
Autres dépenses d'exploitation	40 394	36 225
Prestations de retraite et autres avantages sociaux—note 1	4 595	4 265
	83 668	**75 052**
Bénéfice d'exploitation	**39 549**	**35 126**
Autres revenus		
Provision pour fonds utilisés pendant la construction—note 1	941	1 325
Intérêts	951	905
Divers	363	256
	2 255	**2 486**
Bénéfices avant postes ci-dessous	**41 804**	**37 612**
Autres frais		
Intérêts sur la dette à long terme	10 986	9 715
Autres intérêts	283	89
Amortissement des frais de la dette à long terme	92	83
Amortissement de la perte sur change non réalisée—note 1	246	—
	11 607	**9 887**
Bénéfice avant impôts sur le revenu	**30 197**	**27 725**
Impôts sur le revenu—note 1	**14 348**	**12 780**
Bénéfice net	**$ 15 849**	**$ 14 945**
***Bénéfice par action ordinaire**	**$ 2.30**	**$ 2.18**

*Selon le nombre moyen d'actions ordinaires en circulation

Dirigeants

Kenneth V. Cox
Président du Conseil et
chef de la direction

Eldon D. Thompson
Président et chef de
l'exploitation

W. H. R. Smith
Vice-président (exploitation)

G. E. Graham
Vice-président (planification)

J. A. Coombs
Vice-président (finances)

J. T. Reid
Secrétaire-trésorier

Administrateurs

Harry Bowler†
Vice-président (services financiers)
Bell Canada
Montréal (Québec)

John G. Burchill
Président du Conseil
Geo. Burchill & Sons (Plywood) Limited
Nelson-Miramichi (N.-B.)

D. Chester Campbell
Président
Tractors and Equipment (1962) Limited
Fredericton (N.-B.)

Léandre Chiasson
Président
L. Chiasson Fourrures Ltée
Edmundston (N.-B.)

J. Eric Cormier†
Président
White Cab Company, Limited
Moncton (N.-B.)

Kenneth V. Cox*
Président du Conseil
et chef de la direction
The New Brunswick Telephone Company, Limited
Saint John (N.-B.)

Robert C. Eddy*†
245, rue St. Patrick
Bathurst (N.-B.)

Joseph Alfred R. Landry, C.R.
Associé principal
Landry, LeBreton & McIntyre
Moncton (N.-B.)

Joseph A. Likely*†
Président
Likely Equipment Limited
Ononette (N.-B.)

Leonard Lockhart *
Président du Conseil
Lockharts Limited
Moncton (N.-B.)

James A. MacMurray
Président du Conseil
Maritime Beverages Limited
Saint John (N.-B.)

Andrew H. McCain *
Président et directeur général
McCain Produce Co., Limited
Florenceville (N.-B.)

J. T. Richard Savoie
Directeur général adjoint
La Fédération des Caisses Populaires
Acadiennes Ltée
Caraquet (N.-B.)

Eldon D. Thompson *
Président et chef de l'exploitation
The New Brunswick Telephone Company, Limited
Saint John (N.-B.)

Orland Tropea *
Vice-président exécutif (administration)
Bell Canada
Montréal (Québec)

* Membre du comité de direction
† Membre du comité de vérification

Bureau de transferts d'actions

The New Brunswick Telephone Company, Limited
One Brunswick Square
Saint John (N.-B.)

Compagnie Trust Royal
Halifax, Montréal, Toronto, Winnipeg,
Regina, Calgary et Vancouver

Agent préposé aux transferts d'actions

Compagnie Trust Royal
Saint John, Halifax, Montréal
Toronto, Winnipeg, Regina,
Calgary, Vancouver

Action cotées

Bourse de Montréal
Bourse de Toronto

Fiduciaire pour les débentures

Compagnie Montréal Trust

Siège social de la compagnie

Fredericton, Nouveau-Brunswick

Bureau de la direction

Saint John, Nouveau-Brunswick

Transcanadien, les interurbains ont été encouragés avec succès à deux occasions spéciales, à la Saint-Valentin et à la Fête des Pères, dans trois grands centres du Nouveau-Brunswick. Ces campagnes avaient pour but d'augmenter les revenus découlant des appels interurbains et d'encourager les abonnés à faire des appels interurbains plutôt que l'envoyer une carte, ou en plus d'en envoyer une à ces occasions spéciales. Des campagnes semblables auront encore lieu en 1979.

Extension des installations de téléinformatique

En 1978, NBTel a consacré environ $541,000 à l'extension du réseau de communication numérique de Dataroute®. Encore plus de capitaux seront affectés à cette extension au cours des quatre prochaines années, car la Compagnie veut prendre les moyens nécessaires pour répondre aux besoins de ce marché qui croît rapidement. Dans le cadre de ses services de téléinformatique, la Compagnie vend ou loue des terminaux à écran, des téléscripteurs et des appareils de transmission de données; elle loue également les services de son réseau analogique et numérique. La division Teldata de la Compagnie offre un large éventail de services informatiques, y compris le traitement de données, la programmation, la vente et la location de matériel informatique, ainsi que la préparation des données.

La gamme complète des services Datapac® est offerte aux entreprises de Moncton, Saint John et Fredericton. Datapac® est le réseau de commutation par paquets exploité par le Réseau Téléphonique Transcanadien à travers le Canada, par le truchement du réseau numérique Dataroute®. Des services de logiciel spécialisés ont été ajoutés depuis l'inauguration du réseau Datapac® au début de 1977, y compris le service Datapac® 3201 qui offre un poste d'interrogation-réponse au point de vente au détail, aux fins de vérification de la solvabilité, et le service Datapac® 3203, conçu pour les sociétés de prêts à la consommation, qui permet la transmission de données entre les succursales et le siège social.

Brunswick Square s'agrandit

Un garage public, la troisième phase du complexe Brunswick Square, a été inauguré en décembre 1978. Ce garage, propriété de la Saint John Parking Commission et exploité par Brunswick Square Ltd., offre 650 places de stationnement aux locataires et aux clients du complexe de bureaux et de magasins Brunswick Square ainsi qu'au grand public.

D'autres phases de ce complexe, dont un hôtel et d'autres locaux pour magasins, sont au programme. Par l'intermédiaire de Bruntel Holdings Ltd., une filiale en propriété exclusive, la Compagnie possède 29.5 pour cent de Brunswick Square Ltd.

Changements au sein du Conseil d'administation

Le 27 février 1978, pour des raisons de santé, M. William M. Cavanaugh a démissionné comme membre du Conseil d'administration. M. Cavanaugh était administrateur depuis 1971 et il était aussi membre du Comité de vérification. Le 2 octobre 1978, M. R. Whidden Ganong s'est aussi retiré du Conseil d'administration. M. Ganong était membre du Conseil depuis 1951 et, pendant les 23 dernières années, il avait été membre du Comité de direction. MM. Cavanaugh et Ganong furent des collaborateurs très appréciés tout au long de leur association avec la Compagnie. L'apport de leur expérience fera gravement défaut.

Le Conseil d'administration a accueilli deux nouveaux membres au cours de l'année. M. J. T. Richard Savoie de Caraquet a été élu membre du Conseil d'administration et il l'est devenu effectivement le 28 février 1978. M. Savoie est directeur général adjoint de La Fédération des Caisses Populaires Acadiennes Ltée et il occupe de nombreux postes au sein d'autres entreprises et d'organismes communautaires.

Le 3 octobre 1978, M. James A. MacMurray de Saint John est devenu administrateur. M. MacMurray est président du Conseil d'administration de Maritime Beverages Limited et de Fundy Cablevision Ltd., président de M.R.A. Holdings Ltd. et de Edmundston Cablevision Ltd., ainsi que vice-président de Fundy Broadcasting Co. Ltd. Il est administrateur de plusieurs sociétés dont Brunswick Mining & Smelting Corporation Ltd. et Wandlyn Motels Ltd.

M. Joseph A. Likely a été nommé membre du Comité de vérification du Conseil d'administration et il l'est devenu effectivement le 28 février 1978; il a également été nommé membre du conseil de direction et il l'est devenu effectivement le 3 octobre 1978. M. Likely était administrateur de la Compagnie depuis 1967.

® Marque déposée de Bell Canada
Usager NBTel enregistré

Le "Programme d'amélioration du service rural" de la Compagnie (P.A.S.R.) s'est poursuivi en 1978. Au total, $6.0 millions ont été consacrés à ce programme qui comprend d'importants travaux à 26 endroits. La Compagnie a ainsi pu offrir un service amélioré à environ 1,500 abonnés des régions rurales qui en avaient fair la demande, ou elle sera en mesure de le faire.

A la fin de 1976, environ 4,000 abonnés des régions rurales avaient demandé un service amélioré. Les dépenses à ce chapitre avaient permis à la Compagnie de réduire le nombre de ces abonnés à 2,250 à la fin de 1978.

Poursuite des négociations entre la compagnie et le syndicat

Les négociations entre la Compagnie et la section 1148 de la Fraternité internationale des ouvriers en électricité ont repris en janvier 1979 avec l'aide d'un médiateur désigné par le gouvernement provincial. La section 1148 de la FIOE représente 342 employés de trafic et 785 gens de métier et préposés à l'entretien des immeubles dont les contrats ont expiré les 31 juillet 1978 et 27 juin 1978 respectivement. Bien qu'un certain nombre d'articles n'ait pas encore été réglé, la question des salaires semble la plus importante.

Prises téléphoniques à Moncton

Le programme de service téléphonique par système de prises lancé d'abord à Saint John en 1977, a été étendu à Moncton en 1978. Environ 55 pour cent des maisons de Saint John et 22 pour cent de celles de la région de Moncton sont maintenant équipées pour bénéficier de ce service. Dans le cadre de ce programme, des phoneCentres ont été ouvertes tant à Moncton qu'à Saint John de sorte que les abonnés puissent obtenir, retourner, échanger ou faire réparer leurs téléphones enfichables.

Jusqu'à présent, le concept des prises a été accueilli très favorablement. Les frais aux abonnés et les coûts pour la Compagnie sont plus bas que pour les installations classiques. La Compagnie espère pouvoir offrir ce service à Fredericton en 1979.

Campagnes de commercialisation des interurbains

Un concours a été lancé afin d'augmenter le nombre des appels interurbains résidentiels. Bien que les concours soient une technique souvent employée avec succès par de nombreuses entreprises, le concours de NBTel est le premier du genre dans l'industrie du téléphone.

Trois prix ont été remis, chacun consistant en des billets d'avion et des chèques de voyage fournis par Air Canada et American Express en contrepartie de publicité. Pour être admissibles au concours, les abonnés devaient fournir une liste de trois appels interurbains au choix faits en facturés au numéro de téléphone de leur domicile entre le 1er septembre 1978 et le 31 octobre 1978. Plus de 71,000 bulletins d'inscription ont été reçus d'environ 31,000 ou 16 pour cent des abonnés du service résidentiel.

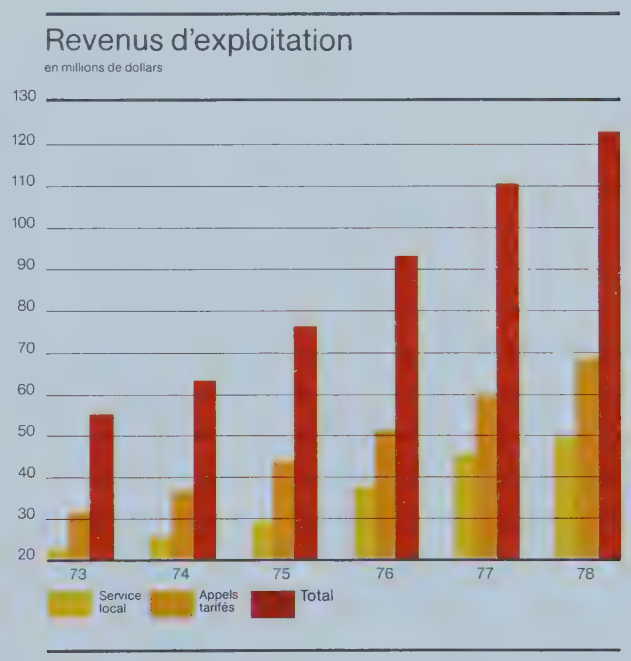
Dans le cadre d'une promotion d'essai dans un marché donné, promotion financée par le Réseau Téléphonique

La phase suivante du programme de conversion au système de commutation électronique débute en 1979, coincidant avec le commencement des travaux de conception d'ingénierie sur le premier centre de commutation numérique de la Compagnie.

Au cours des vingt prochaines années, le réseau de commutation et de transmission de NBTel fera de plus en plus appel à la technologie numérique. De rapides progrès effectués au cours des dernières années dans le domaine le l'électronique numérique ont permis de réduire considérablement les coûts de la commutation numérique. D'autres économies seront réalisées en raison d'une réduction de la consommation d'énergie et des besoins d'espace. En certaines circonstances, un commutateur numérique peut servir plusieurs villes simultanément. La transmission numérique permet l'intégration de tous les types de signaux — voix, données et vidéo — dans le même flot d'information, ce qui aboutira à un réseau moins onéreux qui pourra mieux répondre aux besoins d'une clientèle spécialisée.

D'importantes extensions aux centres de commutation de Newcastle, Grand Falls, Oromocto, Woodstock et Edmundston ont été parachevées en 1978. Ces extensions visent à répondre à la demande actuelle et prévue en ce qui concerne le service local des ces villes. En 1978, environ 3,900 abonnés dans sept circonscriptions ont eu accès à l'automatique interurbain, leur permettant de faire un appel interurbain sans l'aide d'une téléphoniste. Moins de 4 pour cent des abonnés de NBTel sont encore privés de ce service, mais il est prévu qu'ils pourront en bénéficier avant la fin de 1979.

Le programme de remplacement des fils à découvert du réseau interurbain de la Compagnie a été terminé en 1978. Ce programme prévoyait le remplacement des fils à découvert du réseau interurbain de NBTel par des câbles ou un système de câbles à courants porteurs. Cette conversion rehausse le service aux abonnés en améliorant la transmission de la voix et en réduisant la fréquence des interruptions de service dues aux conditions de l'environnement; elle rend aussi possible la transmission de données.



Le programme des dépenses en immobilisations comprenait aussi l'affectation de $12.5 millions aux câbles et à d'autres installations extérieures et de $8.0 millions à l'acquisition et à l'installation de pièces d'équipement chez les clients.

Le 28 novembre 1978, la Compagnie a acquis l'actif de Eastern Telephone and Telegraph Co. (ET & T) et de Téléglobe Canada au Nouveau-Brunswick. Cet achat faisait partie d'une acquisition conjointe par la Compagnie, Maritime Telegraph & Telephone Company, Limited, et

Newfoundland Telephone Company Limited. ET & T, une filiale en propriété exclusive de l'American Telephone & Telegraph Co. Ltd., exploitait un réseau de câbles transatlantiques partant de Clarenville, Terre-Neuve, et qui était desservi en partie par un réseau à micro-ondes traversant le Nouveau-Brunswick et la Nouvelle-Ecosse. Téléglobe Canada possédait de l'équipement situé le long d'une voie d'acheminement des télécommunications au Canada, outre-mer et autres. Avant l'acquisition, NBTel avait loué des circuits du réseau à micro-ondes pour assurer le service interurbain.

Au début de 1978, NBTel a signé des contrats avec trois exploitants du réseau CATV en vertu desquels la Compagnie s'est engagée à louer à ces exploitants des installations à micro-ondes pour l'acheminement des programmes des réseaux de télévision NBC et ABC de Moncton à Newcastle, Chatham, Bathurst et Dalhousie. La Compagnie s'est également engagée par contrat à installer sur ses poteaux, et ce, sur une distance d'environ 200 milles, le câble de distribution CATV des exploitants.

Règlement

Le rapport annuel de l'année dernière indiquait qu'à la suite d'une audience publique tenue en novembre 1977 par la Commission des entreprises de service public du Nouveau-Brunswick, une réduction générale des tarifs de 9 pour cent avait été mise en vigueur le 1er janvier 1978. Les réductions, qui visaient à rajuster les hausses de tarifs consenties en 1977 afin de compenser le coût des changements fiscaux provinciaux apportés au cours de la même année, ont permis à la Compagnie de conserver assez de revenus supplémentaires pour contrebalancer le coût en 1978 de ces changements fiscaux. La Compagnie a interjeté appel, tôt en 1978, au sujet de la cotisation fiscale de 1977 en vertu de la nouvelle législation en matière d'impôt foncier, mais le Tribunal d'appel des cotisations du Nouveau-Brunswick n'a pas encore entendu la cause.

En ce moment, la Compagnie croit pouvoir offrir un service de bonne qualité et augmenter les bénéfices en 1979 sans devoir recourir à une augmentation générale des tarifs pour le service d'appels locaux et d'appels interurbains effectués à l'intérieur de la province. Si cette perspective venait à changer, la Compagnie déposerait une demande à la première occasion.

Le 1er janvier 1979, la Compagnie a agrandi les secteurs à tarif de base dans sept circonscriptions et elle a introduit le programme COMPLAN qui offre un service facultatif d'appels interurbains à tarif fixe. La Compagnie a voulu ainsi répondre à la croissance urbaine continue et à l'évolution des habitudes de ses abonnés en ce qui concerne les appels téléphoniques.

Les secteurs à tarif de base se trouvent généralement dans les régions les plus développées où les clients peuvent obtenir un service de ligne à un ou plusieurs abonnés sans avoir à payer de frais de distance. Au-delà de la limite du secteur à tarif de base, là où la population est moins dense, des frais par mille sont ajoutés au tarif pour le service de base. A Oromocto, Fredericton, Moncton, Chatham, Bathurst, Petit-Rocher et Grand Falls, les secteurs à tarif de base ont été agrandis et environ 4,500 abonnés paient maintenant un tarif mensuel moins élevé pour le service.

Le programme COMPLAN vise à répondre aux besoins des abonnés dans plusieurs circonscriptions où, en raison de l'évolution économique et sociale, le nombre des appels faits à des circonscriptions voisines a augmenté considérablement tout en étant assujettis à des frais d'interurbain.

Depuis le 1er janvier 1979, les abonnés de ces circonscriptions peuvent profiter du programme COMPLAN moyennant un léger supplément mensuel au tarif de base ordinaire. Ces abonnés ont alors droit à un escompte de 35 pour cent sur tous les appels interurbains entre deux circonscriptions choisies pourvu que ces appels leur soient facturés. Le programme COMPLAN est offert dans à peu près la moitié des 101 circonscriptions téléphoniques de la Compagnie.

Dépenses en immobilisations

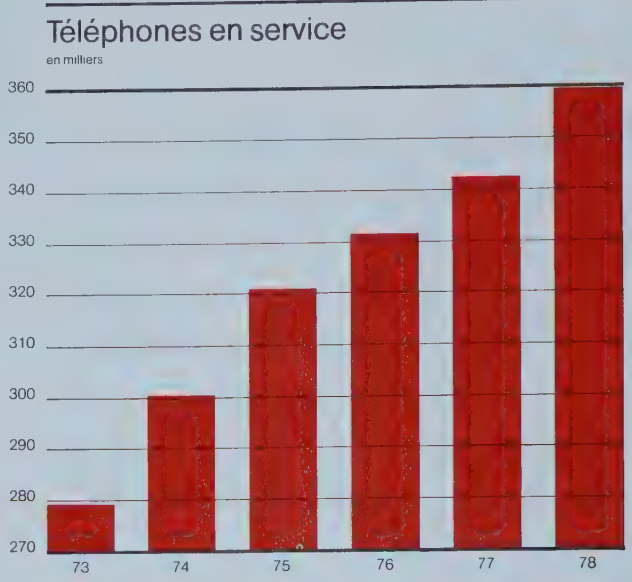
Afin de répondre à la croissance actuelle et future du service, la Compagnie a consacré en 1978 $39.7 millions à son programme de construction, soit une diminution de $8.3 millions par rapport à 1977. L'envergure du programme traduit à la fois la perspective d'une croissance économique modérée mais continue au Nouveau-Brunswick et le parachèvement de la première phase du programme de conversion au système de commutation électronique de la Compagnie.

Les programmes de dépenses en immobilisations de 1976 et de 1977 faisaient tous deux une large part aux appareils de commutation électronique munis d'un programme enregistré. Le sixième et dernier bureau central SP-1 prévu pour le Nouveau-Brunswick doit être mis en service en avril 1979 pour favoriser la croissance du service de commutation interurbaine pour la ville de Saint John et ses environs. Les travaux d'ingénierie relatifs à ce projet ont débuté en 1975 et l'on s'attend que le total des dépenses atteigne $8.5 millions. De ce montant, $7.7 millions ont déjà été dépensés à la fin de 1978. Le projet comprenait une importante extension de bâtiment pour le remisage du matériel.

et pour 1979. Les débentures à 10% ont été offertes au public à leur valeur nominale et elles arriveront à échéance le 15 juillet 2003.

Avant l'émission, deux sociétés spécialisées, la Société Canadienne d'Evaluation du Crédit de Montréal et la société Dominion Bond Rating Service Ltd. de Toronto, ont revu la cote des débentures de la Compagnie. La première a haussé la cote des débentures de la Compagnie à A+, tandis que la seconde a établi la cote des débentures à A, lors de sa première évaluation de NBTel.

Le 15 mars 1978, la Compagnie a racheté 51,450 actions privilégiées de $1.85 pour $20 l'action afin de satisfaire aux exigences relatives aux fonds d'amortissement obligatoire et facultatif pour 1977. Selon les conditions initiales de l'émission, la Compagnie est tenue d'annuler 30,000 actions par année civile et elle peut aussi, à son gré, racheter 22,500 actions supplémentaires. La Compagnie fait généralement face à ses obligations en achetant des actions sur le marché mais, pendant la plus grande partie de 1977 et de 1978, le prix des actions dépassait le maximum permis aux termes des conditions de l'émission. Aucune action n'a été achetée en 1978 pour satisfaire aux exigences de 1978 et, par conséquent, la Compagnie se propose de racheter 52,500 actions privilégiées de $1.85 le 15 mars 1979.



Programme de réinvestissement des dividendes et d'achat d'actions à l'intention des détenteurs d'actions ordinaires

Le 25 janvier 1979, le Conseil d'administration a approuvé un programme de réinvestissement des dividendes et d'achat d'actions à l'intention des détenteurs d'actions ordinaires. La Compagnie a déposé une demande auprès de la Commission des entreprises de service public du Nouveau-Brunswick, demande qui sera entendue le 13 février 1979, aux fins d'approbation relative à l'émission d'actions selon les conditions du programme. Le nouveau programme donne aux détenteurs d'actions ordinaires la possibilité d'augmenter leur portefeuille d'actions ordinaires de la Compagnie en réinvestissant les dividendes en espèces qu'ils touchent sur les actions ordinaires de la Compagnie et aussi, en faisant des contributions facultatives, jusqu'à concurrence de $3,000 en espèces, chaque trimestre.

En plus d'offrir une nouvelle source de capital sous forme d'actions ordinaires, le programme fait réaliser des économies aux actionnaires qui y participent. En réinvestissant leurs dividendes sur actions ordinaires, les participants peuvent acheter des actions ordinaires supplémentaires à 95 pour cent du cours moyen du marché, comme le définit le programme. Le prix des actions achetées avec les contributions en espèces facultatives sera établi à 100 pour cent du cours moyen. Etant donné que les actions supplémentaires sont des actions nouvellement émises, il n'y aura pas de frais de courtage. La Compagnie assumera les frais d'administration du programme. Des circulaires d'offre, comprenant une description du programme ainsi que des formulaires d'inscription, sont en ce moment postées aux actionnaires.

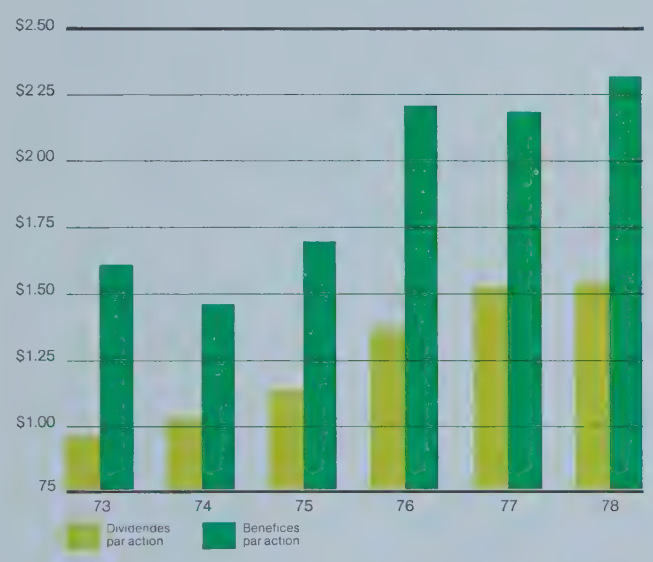
Revue de l'année

Bénéfice par action plus élevé

En 1978, le bénéfice par action ordinaire s'est élevé à $2.30 comparativement à $2.18 pour 1977. Cette amélioration peut être attribuée à plusieurs facteurs, dont les plus importants sont une hausse de la demande de service téléphonique ainsi que des tarifs plus élevés pour les appels interurbains interprovinciaux.

Le 23 novembre 1978, le Conseil d'administration à déclaré un dividende trimestriel de 40 cents par action ordinaire, dividende qui a été versé le 15 janvier 1979. Cette augmentation porte le total des dividendes déclarés pour l'exercice à $1.54 par action ordinaire, comparativement à $1.52 pour 1977. L'augmentation de deux cents dans le dividende trimestriel maintient le rythme des augmentations de dividende qui a débuté en 1971.

Bénéfices et dividendes par action



Plus d'appareils téléphoniques ont été branchés sur le réseau de la Compagnie qu'en 1977. Il y avait 358,842 appareils en service à la fin de l'année, soit 15,922 ou 4.6 pour cent de plus qu'à la fin de 1977. En 1977, l'augmentation a été de 11,082, soit 3.3 pour cent. Ces augmentations témoignent d'un redoublement d'efforts dans les secteurs de la vente et de la commercialisation conjugué au succès qu'a obtenu le programme continu de service téléphonique par système de prises mis de l'avant par la Compagnie.

Il y a également eu augmentation de l'usage des services interurbains de la Compagnie en 1978. Le nombre d'appels interurbains effectués au cours de l'année a atteint 31 millions, ce qui représente une augmentation de 10.8 pour cent par rapport à 1977. Les taux de croissance pour 1977 et 1976 ont été de 6.8 et de 6.9 pour cent respectivement. Cette augmentation est attribuable à une amélioration de l'économie de la province, quoiqu'il faille tenir compte de l'influence des efforts déployés dans les secteurs de la promotion des ventes et de la commercialisation, ainsi que de l'effet des interruptions survenues dans les services postaux et aériens.

Le 1er août 1978, la Compagnie a mis en vigueur de nouveaux tarifs pour les appels interurbains interprovinciaux ainsi que pour certains services de télécommunication de données et autres. A la suite de ces changements, les tarifs pour les appels effectués entre deux points distants d'au plus 1,200 milles aériens ont augmenté, tandis que les tarifs pour les appels effectués entre des points éloignés d'au moins 1,450 milles ont diminué. Etant donné que la majorité des appels acheminés par le réseau de NBTel tombe dans la première catégorie, la Compagnie a encaissé environ $1.1 million en revenus supplémentaires en 1978. Ces rajustements de tarifs, les premiers depuis 1975, ont été mis en vigueur par les neuf compagnies de téléphone du Réseau Téléphonique Transcanadien. Les tarifs pour le service de central téléphonique et pour les appels interurbains effectués à l'intérieur de la province n'ont pas été touchés.

Financement

Le 12 juillet 1978, la Compagnie a emprunté $25 millions d'investisseurs canadiens pour financer les dépenses en immobilisations prévues pour le deuxième semestre de 1978

Rapport du président du conseil

Depuis 90 ans déjà, The New Brunswick Telephone Company, Limited offre aux résidents du Nouveau-Brunswick le service du téléphone. Au cours de ces années, la Compagnie a connu une évolution prodigieuse. En effet, en 1888, le téléphone venait d'apparaître. Aujourd'hui, les services de télécommunication offerts par NBTel constituent un élément essentiel dans la vie des résidents de la province. La Compagnie a toujours utilisé les techniques les plus modernes, et le service qu'elle offre en 1978 est aussi bon et fiable que les services offerts partout ailleurs.

Le 90ième anniversaire de la Compagnie a été marqué d'une augmentation du bénéfice de $2.30 par action ordinaire comparativement à une hausse de $2.18 en 1977. De plus, c'est la première fois depuis quatre ans, qu'il n'est pas nécessaire d'avoir recours à une augmentation générale du tarif des services locaux et interurbains à l'intérieur de la province. Nous avons eu le plaisir de vous annoncer que les administrateurs ont pu porter le taux de rendement trimestriel des dividendes à 40 cents. Cette hausse est entrée en vigueur au moment du versement du 15 janvier 1979.

L'utilité actuelle du système téléphonique peut être attribuée aux trois principes qui ont régi sa conception: le désir de fournir un service des plus complets, la disponibilité universelle et l'établissement d'un prix moyen pour la province. La possibilité qu'ont tous les abonnés éventuels d'obtenir un service téléphonique de base a été offerte grâce à la fixation d'un tarif d'ensemble de façon que les frais d'abonnement (le tarif mensuel de base) soient relativement peu élevés et indépendants des coûts du service dans une région géographique donnée.

Ce principe de tarification et l'évolution de la technologie ont fait croire à des concurrents éventuels que certains services de télécommunication étaient lucratifs. Evidemment, ceux-ci ne désirent faire concurrence que dans les domaines qui semblent les plus rentables selon la structure de prix actuelle. Ils ne désirent ni offrir des services universels complets ni mettre sur pied un réseau concurrentiel. Des pressions sans cesse plus fortes sont par conséquent exercées sur les organismes de réglementation du Canada afin de permettre une "interconnexion" ou de donner le droit de relier les systèmes de communication ou de brancher le terminal appartenant à un concurrent au réseau téléphonique.

Nous continuons à croire fermement que nous devons fournir un service de télécommunication des plus complets dont tous peuvent profiter et entendons assumer cette responsabilité malgré l'éventuelle interconnexion.

Les télécommunications et les techniques de télécommunication continuent à jouer un rôle toujours plus important au sein de notre société et de notre économie. Par conséquent, la gamme de nouveaux services s'élargit sans cesse et attire une concurrence toujours plus forte. La compagnie NBTel est prête à relever ce défi en continuant d'offrir ses services à des taux justes et équitables.

De plus, la Compagnie cherchera toutes les occasions qui lui permettront de bien commercialiser les produits et les services relatifs aux télécommunications afin d'inciter les consommateurs à les utiliser davantage et de favoriser la création de modes de communication plus efficaces. Nous croyons que l'augmentation du bénéfice de 1978 est partiellement attribuable à l'efficacité de notre commercialisation et aux nombreux efforts consacrés à la promotion qui, prévoit-on, seront multipliés en 1979.

J'aimerais profiter de l'occasion pour remercier, au nom du Conseil, tous nos employés pour l'excellent travail qu'ils ont accompli. Ils ont grandement contribué au succès de l'exercice 1978.

Kenneth V. Cox

Le Président du Conseil,
le 25e janvier 1979

Points saillants du rapport (consolidé)

Postes de revenus et dépenses	**1978**	**1977**
Total des revenus	$125 472 895	$112 663 262
Dépenses d'exploitation	$83 667 809	$75 051 561
Autres frais	$11 607 206	$9 887 098
Impôts sur le revenu	$14 348 386	$12 779 994
Bénéfice net	$15 849 494	$14 944 609
Postes de la situation financière au 31 décembre		
Propriétés de télécommunication	$415 972 169	$384 986 864
Avoir des actionnaires	$130 643 018	$125 408 587
Dette à long terme (y compris la partie à court terme)	$137 472 000	$110 908 000*
Statistiques financières		
Bénéfice par action ordinaire	$2.30	$2.18
Dividendes déclarés par action ordinaire	$1.54	$1.52
Détenteurs d'actions ordinaires, 31 décembre	11 685	11 702
Nombre moyen d'actions ordinaires en circulation	6 166 644	6 043 627
Avoir relatif aux actions ordinaires par action, 31 déc.	$17.83	$17.12
Rendement de l'avoir des détenteurs d'actions ordinaires	13.20%	13.10%
Rendement de l'avoir total des actionnaires	12.46%	12.29%
Rendement du capital total investi	10.84%	10.59%*
Autres statistiques		
Employés, 31 décembre	2 708	2 671
Dépenses consacrées au programme de construction	$39 690 446	$48 018 925
Téléphones en service, 31 décembre	358 842	342 920
Appels interurbains	30 975 749	27 952 287

* Redressé de façon à refléter la perte sur change non réalisée

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Assemblée générale annuelle

L'assemblée générale annuelle des détenteurs d'actions ordinaires de The New Brunswick Telephone Company, Limited aura lieu au bureau de la compagnie situé au One Brunswick Square, Saint John, Nouveau-Brunswick, le mercredi 28 février 1979 à 14h30 (heure locale).

Jour de l'évaluation

Au jour de l'évaluation, le 22 décembre 1971, la valeur d'une action ordinaire de la Compagnie, reconnue aux fins de l'impôt sur les gains en capital par le ministère du Revenu national, était de $14.63.

NBTel

The New Brunswick Telephone Company, Limited

Rapport annuel 1978

NBTel

Statistical Report 1978

The New Brunswick Telephone Company, Limited

For further information or additional copies, please write:

Secretary-Treasurer
The New Brunswick Telephone Company, Limited
P.O. Box 1430
Saint John, N.B.
E2L 4K2

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ACCOUNTING POLICIES

(a) CONSOLIDATED FINANCIAL STATEMENTS for 1975 to 1978 inclusive include the accounts of the wholly owned subsidiaries, Management Development Services, Ltd., Teldata Limited and Bruntel Holdings Ltd. and its subsidiary. Consolidated Financial Statements for 1974 include only the accounts of the wholly owned subsidiary, Bruntel Holdings Ltd. and its subsidiary.

(b) DEPRECIATION is calculated on a straight-line basis over the estimated useful life of telecommunications property by applying rates, determined by a continuing program of engineering studies, to the Company's investment by class of property. The composite rate was 5.99 per cent for 1978; 5.97 per cent for 1977; 6.13 per cent for 1976; 6.24 per cent for 1975 and 6.19 per cent for 1974.

(c) ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION is included in income and added to the cost of property to provide for a return on capital invested in new telecommunications property while under construction.

(d) INCOME TAX EXPENSE is accounted for under the tax allocation method. Under this method income taxes have been calculated on reported income rather than on earnings currently taxable.

(e) PENSION FUND OBLIGATIONS are computed by annual actuarial reviews and studies, using the aggregate funding method. Under this method, pension costs, including prior service costs, and all changes in costs due to experience or other factors are paid and accounted for over the remaining working lifetime of employees. An actuarial valuation as of December 31, 1976, indicated that all vested benefits were fully funded. The provision for pension costs, including the portion capitalized, are as follows: $4,910,000 (11.9 per cent of salaries and wages) for 1978; $4,597,000 (11.9 per cent) for 1977; $3,858,000 (11.1 per cent) for 1976; $3,067,000 (10.2 per cent) for 1975 and $1,721,000 (7.0 per cent) for 1974.

(f) LONG-TERM DEBT PAYABLE IN FOREIGN CURRENCY, beginning in 1978, is stated in Canadian dollars at the exchange rate prevailing at the balance sheet date and the resulting unrealized loss is amortized over the remaining life of the debt. The effect of this accounting policy on income of prior periods is not material in amount. The comparative balance sheet amounts for unrealized loss on foreign currency and long-term debt for 1977 have been restated to reflect the accounting policy for 1978.

CONSOLIDATED INCOME STATEMENT (in thousands)

Year ended December 31	1978	1977	1976	1975	1974
Operating revenues					
Local service	$ 49 048	$ 45 416	$ 36 984	$ 29 790	$ 24 923
Long distance service	68 157	59 674	51 328	43 181	35 794
Other	6 475	5 558	4 821	4 064	3 209
Less: uncollectible operating revenues	463	470	485	584	376
	123 217	**110 178**	**92 648**	**76 451**	**63 550**
Operating expenses					
Depreciation	21 798	19 354	17 473	15 810	13 795
Maintenance	16 881	15 208	14 164	12 786	10 973
Other operating expenses	40 394	36 225	28 379	21 403	18 469
Pensions and other employee benefits	4 595	4 265	3 621	2 755	1 645
	83 668	**75 052**	**63 637**	**52 754**	**44 882**
Operating income	**39 549**	**35 126**	**29 011**	**23 697**	**18 668**
Other income					
Allowance for funds used during construction	941	1 325	1 283	857	844
Interest	951	905	1 242	1 015	761
Other	363	256	218	158	210
	2 255	**2 486**	**2 743**	**2 030**	**1 815**
Income before other charges, income taxes and extraordinary item	**41 804**	**37 612**	**31 754**	**25 727**	**20 483**
Other charges					
Interest on long-term debt	10 986	9 715	8 474	7 212	5 777
Other interest	283	89	118	255	123
Amortization of long-term debt expense	92	83	87	99	95
Amortization of unrealized foreign exchange loss	246	—	—	—	—
	11 607	**9 887**	**8 679**	**7 566**	**5 995**
Income before income taxes and extraordinary item	**30 197**	**27 725**	**23 075**	**18 161**	**14 488**
Income taxes	**14 348**	**12 780**	**10 097**	**8 469**	**7 098**
Earnings before extraordinary item	**15 849**	**14 945**	**12 978**	**9 692**	**7 390**
Extraordinary item — gain on sale of land	—	—	**790**	—	—
Net earnings	**$ 15 849**	**$ 14 945**	**$ 13 768**	**$ 9 692**	**$ 7 390**
Earnings per common share *					
—before extraordinary item	**$ 2.30**	**$ 2.18**	**$ 2.20**	**$ 1.68**	**$ 1.44**
—after extraordinary item	**$ 2.30**	**$ 2.18**	**$ 2.35**	**$ 1.68**	**$ 1.44**

*Based on average number of common shares outstanding.

CONSOLIDATED BALANCE SHEET (in thousands)

Assets, December 31	1978	1977	1976	1975	1974
Telecommunications property (at cost)					
Buildings, plant and equipment	$394 699	$359 709	$317 693	$278 956	$246 829
Less: accumulated depreciation	118 358	103 028	93 229	84 661	75 997
	276 341	256 681	224 464	194 295	170 832
Land, and plant under construction	16 771	19 831	24 797	18 601	17 113
Construction materials	4 502	5 447	4 892	5 019	5 229
	297 614	**281 959**	**254 153**	**217 915**	**193 174**
Investments	**2 817**	**2 805**	**2 789**	**2 066**	**1 924**
Current Assets					
Cash	1 287	—	289	2 263	—
Temporary cash investments (at cost — approximates market)	21 749	—	19 951	14 855	4 000
Accounts receivable	17 991	16 842	13 183	12 853	9 494
Prepayments	1 225	372	358	270	266
Income tax recoverable	—	—	—	—	770
	42 252	**17 214**	**33 781**	**30 241**	**14 530**
Deferred charges					
Long-term debt expense	1 624	1 238	1 317	1 246	772
Unrealized loss on foreign currency	3 244	1 926	—	—	—
	4 868	**3 164**	**1 317**	**1 246**	**772**
Total assets	**$347 551**	**$305 142**	**$292 040**	**$251 468**	**$210 400**

Liabilities and Shareholders' Equity, December 31	1978	1977	1976	1975	1974
Shareholders' equity					
Capital stock					
Preferred	$ 19 647	$ 20 832	$ 21 053	$ 21 853	$ 7 653
Common	62 264	61 095	59 779	48 686	47 728
Contributed surplus	11 093	10 510	10 292	3 171	3 083
Retained earnings	37 639	32 971	28 976	24 858	22 556
	130 643	**125 408**	**120 100**	**98 568**	**81 020**
Long-term debt	**134 472**	**110 908**	**108 982**	**94 310**	**74 310**
Current liabilities					
Bank indebtedness	39	1 741	—	—	5 222
Accounts payable and accrued charges	15 027	9 361	11 516	11 827	7 238
Income tax payable	2 519	2 794	1 778	1 570	—
Dividends payable	2 491	2 321	2 275	1 468	1 237
Interest accrued on long-term debt	4 353	3 153	3 052	2 703	1 411
Long-term debt due within one year	3 000	—	2 000	5 000	8 690
	27 429	**19 370**	**20 621**	**22 568**	**23 798**
Deferred credits					
Deferred income tax	54 047	48 614	41 604	35 433	30 749
Employees' stock plan	960	842	733	589	523
	55 007	**49 456**	**42 337**	**36 022**	**31 272**
Total liabilities and shareholders' equity	**$347 551**	**$305 142**	**$292 040**	**$251 468**	**$210 400**

CONSOLIDATED STATEMENT OF SOURCES OF FUNDS USED FOR CONSTRUCTION (in thousands)

Year ended December 31	1978	1977	1976	1975	1974
All sources of funds					
From operations:					
Earnings before extraordinary item	$15 849	$14 945	$12 978	$ 9 692	$ 7 390
Items not requiring current funds:					
Depreciation	22 531	20 052	18 191	16 467	14 331
Deferred income tax	5 433	7 010	6 171	4 684	4 381
Amortization of unrealized foreign exchange loss	246	—	—	—	—
Less: Allowance for funds used during construction	941	1 325	1 283	857	844
Equity in undistributed earnings of unconsolidated investment	13	16	—	—	—
	43 105	**40 666**	**36 057**	**29 986**	**25 258**
Extraordinary item — sale of land	—	—	1 041	—	—
Increase in deferred income tax — prior years	—	—	—	—	812
Issue of debentures	25 000	—	16 672	25 000	20 000
Issue of preferred stock	—	—	—	15 000	—
Issue of common stock	1 744	1 516	18 167	995	496
Miscellaneous items	(268)	183	74	(407)	1 138
	69 581	**42 365**	**72 011**	**70 574**	**47 704**
Funds used for other than construction					
Dividends on preferred shares	1 681	1 764	1 807	1 556	532
Dividends on common shares	9 500	9 186	7 084	5 404	4 844
Investments	—	—	723	143	821
Preferred shares purchased for cancellation	1 177	202	753	749	167
Issue expense of preferred shares less income tax effect	—	—	—	430	—
Issue expense of common shares less income tax effect	—	—	759	—	—
Long-term debt due within one year	3 000	—	2 000	5 000	8 690
Increase (decrease) in working capital	16 979	(15 316)	5 487	16 941	(9 039)
	32 337	**(4 164)**	**18 613**	**30 223**	**6 015**
Funds used for construction	**$37 244**	**$46 529**	**$53 398**	**$40 351**	**$41 689**

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS (in thousands)

Year ended December 31	1978	1977	1976	1975	1974
Balance at beginning of year	**$10 510**	**$10 292**	**$ 3 171**	**$ 3 083**	**$ 3 032**
Premium on common shares issued	575	199	7 074	37	18
Discount on preferred shares purchased for cancellation	8	19	47	51	33
Balance at end of year	**$11 093**	**$10 510**	**$10 292**	**$ 3 171**	**$ 3 083**

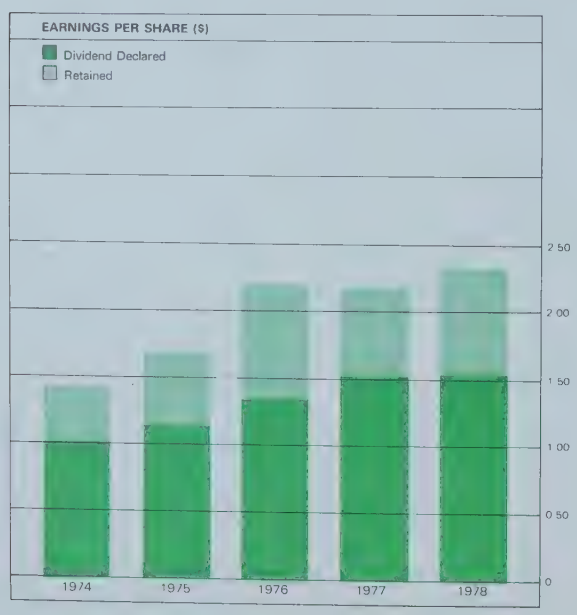
CONSOLIDATED STATEMENT OF RETAINED EARNINGS (in thousands)

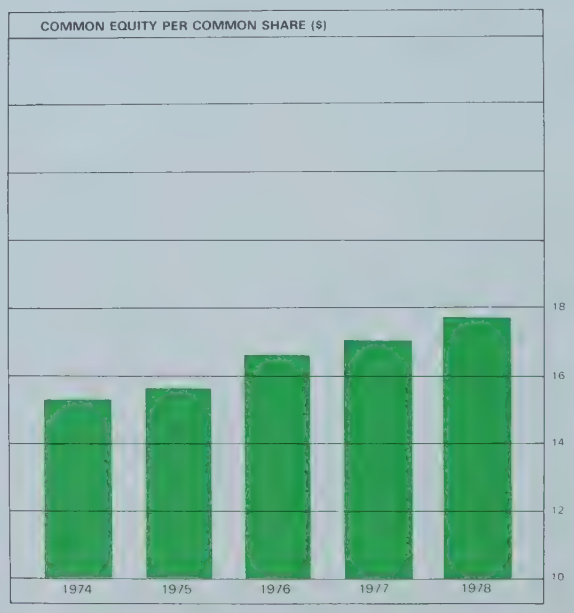
Year ended December 31	1978	1977	1976	1975	1974
Balance at beginning of year	**$32 971**	**$28 976**	**$24 858**	**$22 556**	**$20 542**
Add: Net earnings	15 849	14 945	13 768	9 692	7 390
Deduct:					
Dividends on preferred shares	1 681	1 764	1 807	1 556	532
Dividends on common shares	9 500	9 186	7 084	5 404	4 844
Issue expense of preferred shares less income tax effect	—	—	—	430	—
Issue expense of common shares less income tax effect	—	—	759	—	—
Balance at end of year	**$37 639**	**$32 971**	**$28 976**	**$24 858**	**$22 556**

SHARE DATA	1978	1977	1976	1975	1974
Earnings per Common Share ($)	**2.30**	**2.18**	**2.20**[1]	**1.68**	**1.44**
Earnings per Common Share					
Five Year Compound Growth Rate (%)	**7.5**	**7.1**	**9.2**[1]	**5.4**	**7.1**
Net Income					
Five Year Compound Growth Rate (%)	**14.8**	**14.7**	**15.1**[1]	**11.0**	**10.4**
Dividends Declared per Common Share ($)	**1.54**	**1.52**	**1.36**	**1.12**	**1.02**
Common Dividend Payout Ratio (%)	**67.1**	**69.7**	**63.4**[1]	**66.4**	**70.6**
Average Common Shares Outstanding	**6 166 644**	**6 043 627**	**5 089 808**	**4 820 685**	**4 748 965**
Common Shares Outstanding, December 31[2]	**6 226 343**	**6 109 498**	**5 977 880**	**4 868 603**	**4 772 805**
Common Shareholders, December 31	**11 685**	**11 702**	**11 765**	**10 806**	**11 002**
Common Equity per Common Share, December 31 ($)	**17.83**	**17.12**	**16.57**	**15.76**	**15.37**
Return on Common Shareholders' Equity (%)	**13.2**	**13.1**	**13.5**[1]	**10.9**	**9.5**
Quarterly Net Income as a % of Annual Net Income					
First Quarter	20.7	14.8	22.3[1]	14.9	27.1
Second Quarter	24.6	23.5	26.1[1]	17.5	30.1
Third Quarter	26.4	29.8	24.6[1]	31.2	27.4
Fourth Quarter	28.3	31.9	27.0[1]	36.4	15.4

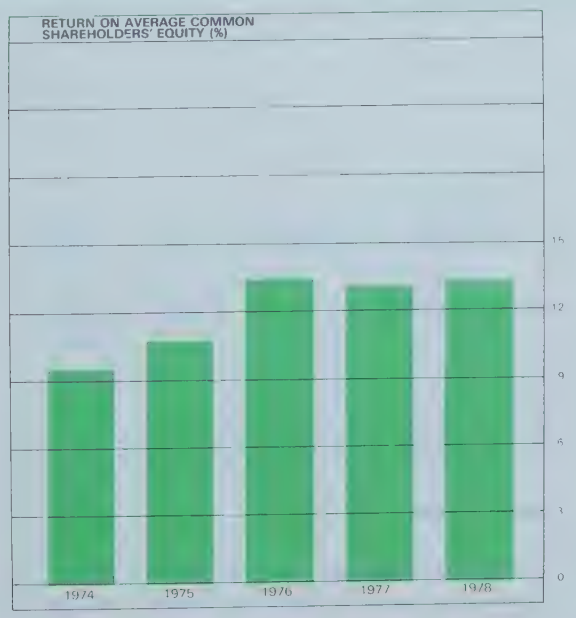
[1] Before Extraordinary Income

[2] 1 000 000 Common Shares were issued in 1976. All other increases are the result of the Employees' Stock Plan.





	1978	1977	1976	1975	1974
Price Earnings Multiple					
Based on Highest Price for Year	**9.8**	**9.5**	**8.3**[1]	**8.3**	**10.0**
Based on Lowest Price for Year	**8.4**	**7.8**	**6.0**[1]	**7.1**	**7.6**
Common Share Price					
High ($)	22.50	20.75	18.25	14.00	14.38
Low ($)	19.25	17.00	13.25	12.00	11.00
Close ($)	21.38	20.00	18.00	13.50	12.00
Common Shares Traded					
Montreal	53 390	112 859	87 118	50 251	63 087
Toronto	262 461	392 500	230 600	88 700	97 800
Total	**315 851**	**505 359**	**317 718**	**138 951**	**160 887**
$1.37 Preferred Price					
High ($)	20.00	19.00	15.00	15.75	19.50
Low ($)	17.00	15.25	14.00	13.25	13.50
Close ($)	18.50	19.00	14.63	14.00	13.50
$1.37 Preferred Shares Traded					
Montreal	900	1 650	625	250	1 510
Toronto	23 803	17 000	16 400	25 300	11 100
Total	**24 703**	**18 650**	**17 025**	**25 550**	**12 610**
$1.85 Preferred Price					
High ($)	23.00	23.50	21.00	20.25	—
Low ($)	20.25	20.25	19.13	18.12	—
Close ($)	21.75	22.13	21.00	19.25	—
$1.85 Preferred Shares Traded					
Montreal	24 336	17 755	25 030	6 350	—
Toronto	67 757	40 900	55 100	44 300	—
Total	**92 093**	**58 655**	**80 130**	**50 650**	—



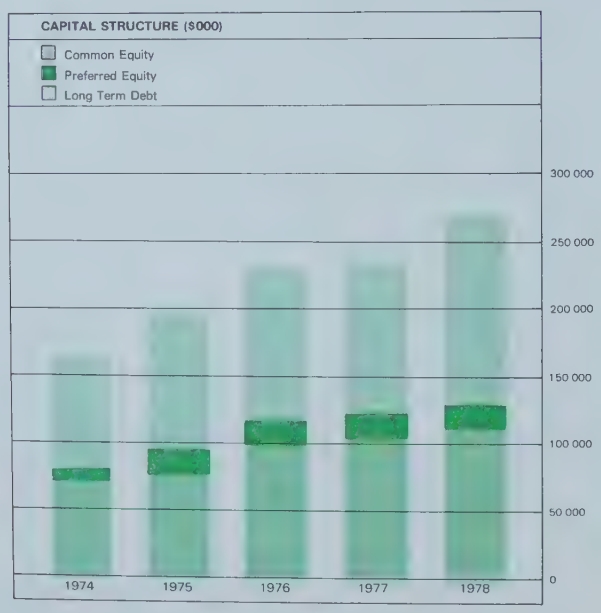
CAPITAL STRUCTURE

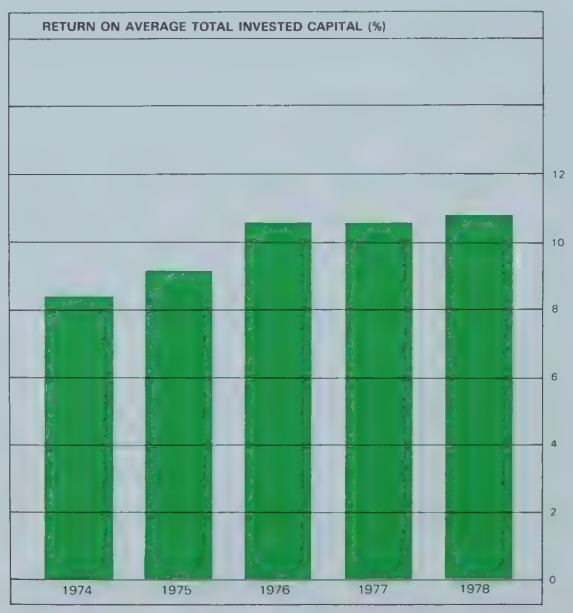
	1978	1977	1976	1975	1974
Long-Term Debt ($000) (including current portion)	**137 472**	**110 908[1]**	**110 982**	**99 310**	**83 000**
Shareholders' Equity ($000)					
Preferred	19 647	20 832	21 053	21 853	7 653
Common	62 264	61 095	59 779	48 686	47 728
Contributed Surplus	11 093	10 510	10 292	3 171	3 083
Retained Earnings	37 639	32 971	28 976	24 858	22 556
Total	**130 643**	**125 408**	**120 100**	**98 568**	**81 020**
Total Invested Capital ($000)	**268 115**	**236 316[1]**	**231 082**	**197 878**	**164 020**
Long-Term Debt as a % of Total Invested Capital	**51.3**	**46.9[1]**	**48.0**	**50.2**	**50.6**
Shareholders' Equity as a % of Total Invested Capital	**48.7**	**53.1[1]**	**52.0**	**49.8**	**49.4**
Short-Term Debt ($000)	**39**	**1 741**	**—**	**—**	**5 222**
Return on Average Total Invested Capital (%)	**10.8**	**10.6[1]**	**10.6[2]**	**9.2**	**8.4**
Long-Term Lease Payments Made During Year ($000)	**3 185**	**3 037**	**1 021**	**801**	**550**

Ratings — Debentures of NBTel
Canadian Bond Rating Service Ltd. A+
Dominion Bond Rating Service Ltd. A

[1] Restated To Reflect Unrealized Loss On Foreign Currency

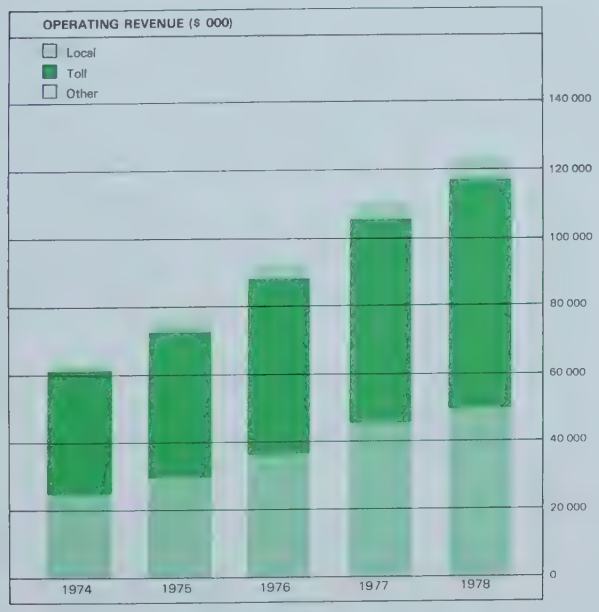
[2] Before Extraordinary Income





REVENUE

	1978	1977	1976	1975	1974
Local Service					
Five Year Compound Growth Rate (%)	**17.3**	**17.8**	**15.0**	**12.0**	**11.1**
Long Distance Service					
Intra-Provincial (%)	37.0	38.6	36.6	36.7	34.2
Inter-Provincial (%)	63.0	61.4	63.4	63.3	65.8
Intra-Provincial Long Distance					
Five Year Compound Growth Rate (%)	**19.3**	**20.3**	**18.9**	**17.5**	**n.a.**
Inter-Provincial Long Distance					
Five Year Compound Growth Rate (%)	**15.9**	**14.9**	**14.7**	**12.2**	**n.a.**
Other Revenue					
Five Year Compound Growth Rate (%)	**20.7**	**19.8**	**18.0**	**20.2**	**21.6**
Uncollectibles					
Five Year Compound Growth Rate (%)	**16.7**	**22.6**	**27.0**	**28.5**	**14.6**
Total Operating Revenues					
Five Year Compound Growth Rate (%)	**17.3**	**17.3**	**15.7**	**13.4**	**12.5**
Long Distance Revenue per					
Long Distance Message ($)	**2.20**	**2.13**	**1.96**	**1.76**	**1.74**
Operating Revenue by Quarter					
First Quarter (%)	23.5	22.1	23.7	21.9	23.2
Second Quarter (%)	24.5	24.0	25.0	23.3	24.8
Third Quarter (%)	25.4	26.5	25.1	26.2	25.6
Fourth Quarter (%)	26.6	27.4	26.2	28.6	26.4



REGULATION AND RATES

Board of Commissioners of Public Utilities

The Company is subject to the jurisdiction of the Board of Commissioners of Public Utilities of New Brunswick (the "Board") with respect to the rates charged for most of its services and its security issues.

Since 1969 the Company has filed five applications for major adjustments to its rates and tariffs including four applications for rate increases and one for a rate reduction. In its decision of July 12, 1975 on the Company's application of January 24, 1975, the Board approved most of the rate increases requested by the Company and permitted a rate of return on equity of 13%.

In a decision dated February 18, 1976, the Board granted the Company approximately $3.7 million in additional revenues on an annual basis, more than one-half of the amount requested by an application of November 14, 1975. In arriving at its decision, the Board determined that the increases requested by the Company would have yielded revenues in excess of those permitted by the strict application of the Federal Anti-Inflation Guidelines. However, the Board made several significant departures from past practice:

- It approved a rate of return of 10.4% on the 1976 projected average rate base, rather than on an historic rate base, in an express attempt to reduce regulatory lag.
- It approved a rate of return on equity of 13%, but stated that it would permit this rate to fluctuate up to 15%, the desirable level, in the opinion of the Board, if the Company could achieve this result through internal efficiencies or favourable cost developments.
- It expressly recognized the importance of a favourable regulatory climate and the necessity of a satisfactory rate of return on invested capital in order for the Company to maintain its financial integrity.

A decision dated March 7, 1977 granted approximately two-thirds of a rate increase requested by the Company on October 20, 1976. The Board approved an increase in the rate of return on average rate base from 10.4% to 10.5%. The decision also reaffirmed the three important principles of the February 18, 1976 decision set forth above.

RATE APPLICATIONS AND DECISIONS

APPLICATION FILED	DECISION	ADDITIONAL REVENUE REQUESTED [1]	ADDITIONAL REVENUE GRANTED [1]	PORTION OF REQUEST GRANTED	ALLOWED RETURN ON COMMON EQUITY
24 Jan. 75	12 Jul. 75	8.0 Million	7.0 Million	87.5%	12% - 13%
14 Nov. 75	18 Feb. 76	6.4	3.7	57.8%	13% - 15%
20 Oct. 76	07 Mar. 77	8.7	5.7	65.5%	13% - 15%
15 Jun. 77	21 Jul. 77	10.5[2]	10.5[2]	100.0%[2]	13% - 15%[3]
21 Oct. 77	20 Dec. 77	(6.1)[2]	(6.1)[2]	100.0%[2]	13% - 15%[3]

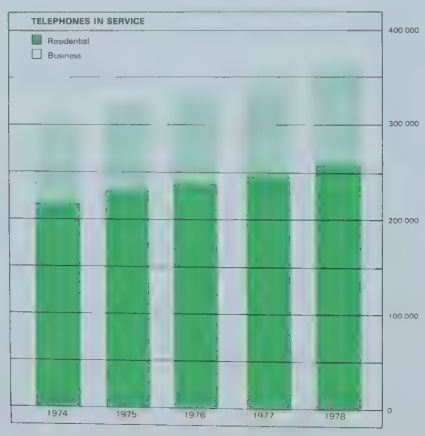
1 Annualized.

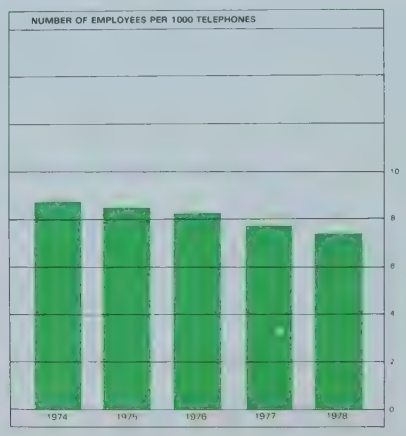
2 On June 15, 1977, the Company applied to the Board for additional revenue of about $4.4 million in 1977 to recover the cost arising from certain Provincial tax changes which became law on June 16, 1977 but which were made retroactive to January 1, 1977. On July 21, 1977, the Board granted rate increases estimated to provide all of the requested revenue; however, as the increased rates were expected to produce additional revenues in excess of the cost of the tax changes in 1978, the Board instructed the Company to file for a reduction in rates and tariffs for the year commencing January 1, 1978.

On October 21, 1977, the Company filed an application with the Board for a 9% reduction in its rates and tariffs effective January 1, 1978; this application was approved by the Board in a decision dated December 20, 1977.

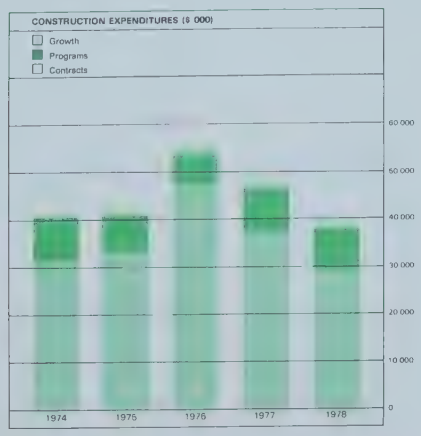
3 Earlier allowed return was used by the Company as the hearing was a cost recovery case, not rate of return.

TELEPHONE STATISTICS	1978	1977	1976	1975	1974
Telephones in Service, December 31					
Residence:					
Main	195 490	189 524	184 837	180 256	170 727
Extension	64 580	59 268	55 957	53 019	48 222
Business:					
Main	32 088	30 008	28 912	27 441	25 862
Extension	33 026	31 921	30 585	30 657	27 041
PBX	22 694	22 224	21 990	22 137	21 982
Centrex	10 964	9 975	9 557	7 201	6 327
Total	**358 842**	**342 920**	**331 838**	**320 711**	**300 161**
Per Cent Distribution					
Residence:					
Main	54.5	55.3	55.7	56.2	56.9
Extension	18.0	17.3	16.9	16.5	16.1
Business:					
Main	8.9	8.7	8.7	8.6	8.6
Extension	9.2	9.3	9.2	9.6	9.0
PBX	6.3	6.5	6.6	6.9	7.3
Centrex	3.1	2.9	2.9	2.2	2.1
Per Cent Increase Over Prior Year					
Residence:					
Main	3.1	2.5	2.5	5.6	6.0
Extension	9.0	5.9	5.5	9.9	14.1
Business:					
Main	6.9	3.8	5.4	6.1	5.4
Extension	3.5	4.4	(.2)	13.4	10.1
PBX	2.1	1.1	(.7)	.7	5.9
Centrex	9.9	4.4	32.7	13.8	5.5
Total	4.6	3.3	3.5	6.8	7.5
Telephones in Service by Type of Exchange					
Electronic (%)	17.4	17.1	10.4	10.1	5.7
Crossbar (%)	40.2	40.5	43.0	43.3	44.3
Step-by-Step (%)	42.4	42.4	46.6	46.6	49.9
Other (%)	—	—	—	—	0.1





	1978	1977	1976	1975	1974
Telephones with DDD (%)	**97.2**	**95.6**	**93.8**	**91.5**	**85.6**
Residence Main Telephones					
1 Party (%)	79.9	79.0	77.9	77.5	75.7
2 Party (%)	3.6	4.2	4.9	5.7	6.9
4 Party (%)	7.0	6.0	5.7	4.9	3.9
Greater than 4 (%)	9.5	10.8	11.5	11.9	13.5
Residence Main Stations to Households (%)	**96.5**	**95.7**	**95.6**	**96.4**	**94.4**
Total Telephones per 100 of Population	**51.6**	**49.9**	**48.7**	**47.8**	**45.5**
Annual Long Distance Messages (000)	**30 976**	**27 952**	**26 181**	**24 495**	**20 517**
Annual Long Distance Messages					
DDD (%)	81.3	78.4	75.1	69.6	63.9
Operator-Handled (%)	18.7	21.6	24.9	30.4	36.1
Total Operating Revenue per Telephone ($)	**351.82**	**326.42**	**284.22**	**245.61**	**215.83**
Total Operating Expense per Telephone ($)	**220.87**	**205.82**	**190.86**	**165.60**	**149.05**
Gross Telephone Property per Telephone, December 31 ($)	**1 159**	**1 123**	**1 047**	**943**	**897**
Number of Employees, December 31	**2 708**	**2 671**	**2 711**	**2 725**	**2 631**
Number of Employees per 1000 Telephones, December 31	**7.5**	**7.8**	**8.2**	**8.5**	**8.8**
Construction Expenditures ($000) Year Ended December 31					
Contracts	1 539	1 331	2 316	622	621
Programs	8 386	9 282	5 723	7 626	8 598
Growth	29 765	37 406	47 796	33 756	31 650
Total	**39 690**	**48 019**	**55 835**	**42 004**	**40 869**



NBTel FINANCIAL RATIOS

	1978	1977	1976	1975	1974
Asset Coverage	**1.9**	**2.1**	**2.1**	**2.0**	**1.9**
Interest Coverage on Long-Term Debt	**3.8**	**3.9**	**3.7**[2]	**3.5**	**3.5**
Total Debt as a % of Net Plant	**46.2**	**40.0**[1]	**43.7**	**45.6**	**45.7**
Cash Flow from Operations/Long-Term Debt	**0.31**	**0.37**	**0.33**[2]	**0.30**	**0.31**
Depreciation as a % of Average Net Plant	**7.8**	**7.5**	**7.7**	**8.0**	**8.0**
Capital Expenditures/Gross Fixed Assets	**0.10**	**0.12**	**0.16**	**0.14**	**0.15**

[1] Restated to Reflect Unrealized Loss on Foreign Currency

[2] Before Extraordinary Income

NEW BRUNSWICK ECONOMY

	1978[2]	1977	1976	1975	1974
Gross Domestic Product[1]					
New Brunswick ($ Millions)	2 135	2 073	2 025	1 947	1 958
Growth (%)	3.0	2.4	4.0	−0.6	8.0
Canada ($ Millions)	110 379	106 898	102 000	101 082	97 100
Growth (%)	3.3	3.1	4.8	0.9	4.1
Gross Capital Investment New Brunswick ($ Millions)[3]	**1 564**	**1 390**	**1 458**	**1 395**	**1 198**
Personal Disposable Income[1]					
New Brunswick ($ Millions)	**2 001**	**1 945**	**1 906**	**1 840**	**1 666**
Canada ($ Millions)	**89 243**	**86 738**	**84 902**	**80 234**	**75 636**
Retail Trade New Brunswick ($ Millions)[3]	**1 772**	**1 565**	**1 495**	**1 338**	**1 141**
Population — New Brunswick (1 June)	**695 100**	**686 400**	**677 300**	**665 200**	**653 600**

Sources of Information:
Gross Domestic Product — Conference Board In Canada
Gross Capital Investment — Statistics Canada No. 61-206
Personal Disposable Income — Conference Board In Canada
figures in current dollars were deflated by NBTel using consumer price index to obtain constant 1971 dollar statistics.
Retail Trade — Statistics Canada No. 63-005
Population — Statistics Canada No. 91-001

[1] Constant 1971 Dollars

[2] Estimate

[3] Current Dollars

DEFINITIONS

Asset Coverage: Net tangible assets less current liabilities (other than bank indebtedness and long-term debt due within one year) less deferred credits divided by the sum of short-term debt and long-term debt. Net tangible assets are total assets less deferred charges.

Capital Expenditures/Gross Fixed Assets: Construction expenditures divided by gross telecommunications property (including land, plant under construction and construction materials).

Cash Flow from Operations/Long-Term Debt: Cash flow is defined as net income before extraordinary items plus total depreciation plus amortization plus deferred taxes less allowance for funds used during construction less equity in undistributed earnings of unconsolidated investment. Long-term debt includes long-term debt due within one year.

Common Dividend Payout Ratio: Total dividends paid divided by net income before extraordinary items less preferred dividends.

Common Equity per Common Share, December 31: Total shareholders' equity less preferred equity divided by the number of common shares outstanding on December 31.

Common Share Price: Based on board lots traded on the Toronto Stock Exchange during the year.

Construction Expenditures:

Contracts: Capital expenditures necessary to provide a new service to a customer with whom NBTel has a contract for the service.

Growth: Capital expenditures which are required to maintain the current level of service as a result of increased volumes of demand.

Programs: Capital expenditures which add a new service to an exchange, improve an existing service, upgrade or modernize existing plant by replacements, additions or modifications which are not predicated on growth requirements, or improve corporate efficiency.

DDD: Direct Distance Dialing — Includes ANI (Automatic Number Identification) and ONI (Operator Number Identification).

Depreciation as a % of Average Net Plant: Depreciation divided by average net telecommunications property (average of current and previous year end figures).

Five Year Compound Growth Rates: are computed from $FV_{n+5} = PV_n(1+i)^n$ where:
PV_n = present value in period n
FV_{n+5} = future value in period n + 5
i = growth rate

Interest Coverage on Long-Term Debt: Net income before interest and income taxes, less other interest divided by interest on long-term debt.

Preferred Share Price: Based on board lots traded on the Toronto Stock Exchange during the year.

Price Earnings Multiple: Highest (lowest) common share market price from the Toronto stock exchange divided by earnings per common share for the fiscal year.

Return on Average Total Invested Capital: Net income plus interest on long-term debt divided by the average amount of total capital (sum of shareholders' equity and long-term debt).

Return on Common Shareholders' Equity: Net income less preferred dividends divided by the average amount of common equity.

Total Debt as a % of Net Plant: Long-term debt (including long-term debt due within one year) plus short-term debt (bank indebtedness) divided by net plant and equipment (net telecommunications property including land, plant under construction and construction materials).

Total Invested Capital: Includes shareholders' equity and long-term debt.

Total Operating Revenue (Expense) Per Telephone: These figures are derived from internal reports. The telephone figure used is the average number of company telephones.

OFFICERS

KENNETH V. COX — Chairman of the Board and Chief Executive Officer

Mr. Cox, 56, was elected to the posts of Chairman and Chief Executive Officer in November, 1977. A graduate in electrical engineering from the University of New Brunswick, he joined NBTel in 1942. He held various positions in the Engineering Department until 1956 when he was named Chief Engineer. Two years later, he was appointed General Manager and in 1959 he took on the added responsibilities of Executive Vice-President. In 1965, he was elected President of the Company. Mr. Cox is also Chairman of NBTel's Executive Committee and President and director of Bruntel Holdings Ltd., a wholly owned subsidiary of the Company. Other corporate directorships include Maritime Electric Company, Limited; Bank of Nova Scotia; North American Life Assurance Company; Fraser Companies Ltd. and Datacrown Inc.

ELDON D. THOMPSON — President and Chief Operating Officer

Mr. Thompson, 44, was elected to his current positions in 1977. After graduating from the University of New Brunswick in 1957 with a degree in electrical engineering, he joined NBTel's Engineering Department. He has held numerous positions in the Company, including Manager of Long Range Planning, General Plant Manager, Chief Engineer, Vice-President — Planning and Vice-President — Operations. In 1971, he took a two-year leave of absence to serve as a member of the Cabinet Secretariat and later as secretary of the New Brunswick Government Treasury Board. He was named President of the TransCanada Telephone System in 1974, an office he held until he was elected to his current positions. Mr. Thompson is Vice-President and a director of Teldata Limited and a director of Bruntel Holdings Ltd. He is also a director and member of the Executive Committee of the Institute for Research on Public Policy; Chairman of the Volunteer Advisory Board of the Council of Maritime Premiers; and a member of the Fundy Tidal Power Review Committee, the Board of Governors of the University of New Brunswick and the Social Sciences and Humanities Research Council of Canada.

JAMES A. COOMBS — Vice-President — Finance

Mr. Coombs, 48, assumed his position with NBTel in 1976. Prior to joining the Company, he had been employed with Bell Canada as Assistant Vice-President, Regulatory Matters. Since graduating from the University of Western Ontario in economics and political science in 1952, he has had experience with Bell in the areas of statistical analysis, income and cost studies, revenue requirements and financial studies. Mr. Coombs is a director of Bruntel Holdings Ltd., Brunswick Square Ltd. and Teldata Limited. He is also President and a director of Dobbin Surveys Limited.

G. EDWIN GRAHAM — Vice-President — Planning

Mr. Graham, 54, was first appointed to his present position in 1965. He began his career with NBTel in 1946 following his graduation from the University of New Brunswick in electrical engineering. He held various positions in the Engineering Department until 1958 when he was named Chief Engineer. He became General Staff Engineer in 1962 and three years later was appointed Vice-President — Planning. In 1966 he was appointed Vice-President — Operations and in 1970 he reassumed his current title. Mr. Graham is President and a director of Teldata Limited and a director of Bruntel Holdings Ltd. He is also Chairman of the Saint John Region Joint Planning Committee and President of the Board of Commissioners of the Saint John Regional Hospital. Other corporate directorships include Ganong Bros. of St. Stephen, N.B. and N. B. Coal Co.

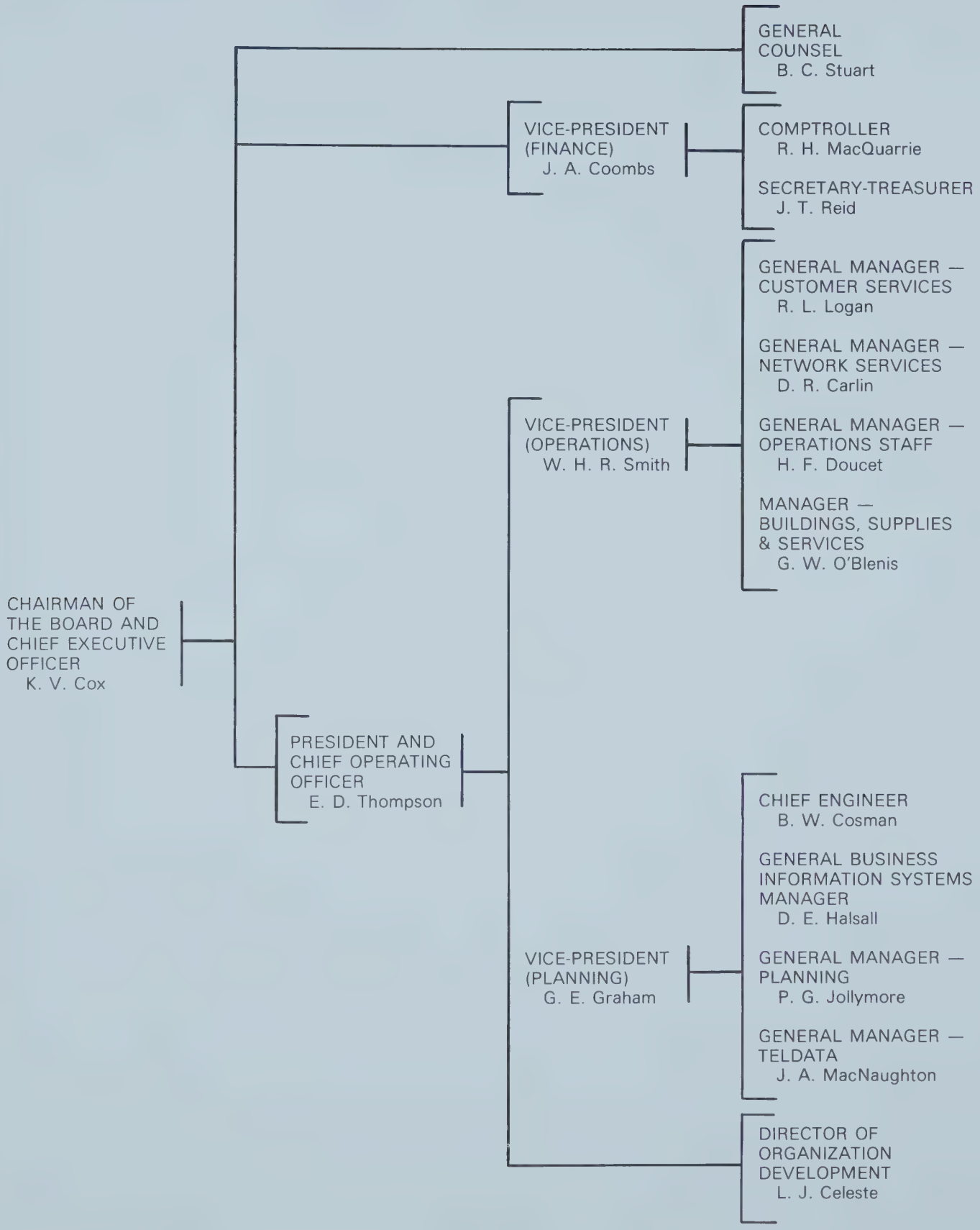
WILLIAM H. R. SMITH — Vice-President — Operations

Mr. Smith, 40, was appointed to his current post in 1974. An electrical engineering graduate from the University of New Brunswick, he has also completed Columbia University's Executive Program in Business Administration. Mr. Smith joined the Company's Engineering Department in 1961. He was named Marketing Manager in 1968 and Chief Engineer the following year. In 1973, he was loaned to Bell-Northern Research as an Executive Consultant, returning to NBTel after a 17-month term. Mr. Smith is a director of Bruntel Holdings Ltd. and Teldata Limited. He is also a member of the Association of Professional Engineers, Province of New Brunswick; past Chairman of the Institute of Electrical & Electronics Engineers, New Brunswick Sub-Section; a director of the Saint John United Way and the Saint John Boys and Girls Club and a member of the Saint John Rotary Club.

JOHN T. REID — Secretary-Treasurer

Mr. Reid, 55, joined the Company's Commercial Department in 1940. He has occupied positions in various departments in the Company, including Commercial, Traffic and Personnel & Public Relations. He assumed his present position in 1975.

ORGANIZATION CHART
As of December 31, 1978



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PROSPECTUS

OF

NEW BEDFORD EXPLORATIONS LIMITED

COMMON SHARES (par value $1 each)

MILTURN INVESTMENTS LIMITED
Underwriter

NEW ISSUE:

200,000 shares firmly underwritten as follows:

No. of Shares Firmly Underwritten	Price per Share	Net Proceeds to Company	Maximum Offering Price
200,000	15 cents	$30,000.00	30 cents per share

SECONDARY OFFERING:

75,000 shares being the free vendor shares issued to Carl J. Turner, Howard Milne and Sheila Kalmanson as part consideration for certain mining claims. See within under the caption "History and Business". None of the proceeds from the sale of these shares will benefit the treasury of the Company.

The Underwriter may be said to realize a gross profit in an amount equal to the difference between the price paid for such shares and the price at which said shares are sold to the public.

The Underwriter will offer shares purchased for sale through such registered security dealers who may be appointed as agents from time to time and who will be paid commissions not exceeding 25% of the selling price of such shares.

The purpose of this issue is to provide the Company with sufficient funds to defray its ordinary operating expenses and the costs of carrying out the exploration and development program recommended by its consulting engineer. See within under the captions "History and Business" and "Use of Proceeds".

There is no market for the shares of the Company.

THESE SECURITIES ARE SPECULATIVE.

REGISTRAR AND TRANSFER AGENT
GUARANTY TRUST COMPANY OF CANADA
366 Bay Street
Toronto, Ontario

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder, and any representation to the contrary is an offence.

The date of this Prospectus is April 28, 1969.

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NEW BEDFORD EXPLORATIONS LIMITED

HISTORY AND BUSINESS

The full name of the Company is New Bedford Explorations Limited (hereinafter sometimes referred to as "the Company"). The head office of the Company is located at Suite 403, 62 Richmond Street West, Toronto, Ontario.

The Company was incorporated as a mining company under Part IV of The Corporations Act (Ontario) by letters patent dated April 10, 1969.

It is intended that the Company will carry on the business of a mining exploration company generally, exploring for mines and mineral lands and deposits.

By an agreement dated April 23, 1969, the Company acquired from Carl J. Turner, Howard Milne and Sheila Kalmanson 20 unpatented mining claims located in Joliette Township in the Province of Quebec for and in consideration of the allotment and issue to the vendors of 750,000 fully paid and non-assessable shares in the capital of the Company at the price of 5¢ per share. 75,000 of these shares have been allotted and issued free of all escrow terms and the balance of same, namely, 675,000 shares, have been deposited in escrow. (See caption "Escrowed Shares"). The aforesaid claims were staked by the vendors at a cost of approximately $2,000.00.

To the knowledge of the signatories hereto no person other than the aforesaid vendors is entitled to receive a greater than 5% interest in the vendor consideration aforesaid.

There is no plant or equipment whatsoever upon this property and no work has been carried out thereon by the Company to date.

The following is a summary of the report of Peter Holley-Hime, P.Eng., covering this property. A copy of the full report of Mr. Holley-Hime dated April 23, 1969, has been filed and is available for inspection at the offices of the Ontario Securities Commission, 123 Edward Street, Toronto, Ontario.

The property is comprised of 20 unpatented mining claims located in Joliette Township in the Province of Quebec comprising approximately 800 acres and being officially recorded as Claims 1 to 5, inclusive, on each of Licences Nos. 292950 to 292953, inclusive. The property is accessible by main road (Highway #35) from Mont Laurier to Mont St. Michel, thence eastwards toward Ferme Topanee and north at the MacLaren Lumber Company to Menjou Depot. From this point, rough trails criss-cross the property.

No previous work is known to have been carried out on this property. This "Mont Laurier area" has recently become the scene of considerable exploration activity and other mining companies with properties of similar geologic setting have located interesting uranium mineralization.

An exploration program on this property is warranted, and it is recommended that same include in the first instance scintillometer work, trenching and sampling of anomalous areas and up to 1,000 feet of exploratory diamond drilling, all at an estimated cost of approximately $10,000.00. Further work will depend on the results of this first phase.

The Company intends to carry out the recommendations of Mr. Holley-Hime.

CAPITAL STRUCTURE

The capital of the Company is comprised of shares of one class only, namely, common shares. All shares issued by the Company rank equally as to entitlement to dividends and voting power, each share carrying one vote. There are no indentures or agreements extant or proposed limiting the payment of dividends. At all meetings of shareholders of the Company two shareholders personally present constitute a quorum and at such meetings resolutions may be voted upon by a show of hands unless a poll is demanded by a shareholder. On a show of hands every shareholder voting exercises one vote, whereas on a poll every shareholder voting exercises one vote for each share held by him. In either case the Chairman has a second or deciding vote in the event of a tie vote. There are no conversion, pre-emptive, liquidation or distribution rights or other special privileges or provisions whatsoever attaching to any of the shares in the capital of the Company. None of the presently issued and outstanding shares in the capital of the Company are subject to call having been issued as fully paid and non-assessable shares. None of the shares offered hereby will be subject to call or assessment of any kind.

CAPITALIZATION

Designation of Security	Amount Authorized	Amount outstanding as at April 28, 1969 (see Balance Sheet attached)	Amount outstanding as at April 28, 1969	Amount outstanding if all securities being issued are sold
Common shares par value $1 each	3,000,000	750,005 ($37,505)	750,005 ($37,505)	950,005 ($67,505)

DIVIDENDS

No dividends have been paid by the Company to date.

AUDITORS

The auditor of the Company is T. H. Bernholtz, 62 Richmond Street West, Toronto, Ontario.

STOCK REGISTRAR AND TRANSFER AGENT

Guaranty Trust Company of Canada, 366 Bay Street, Toronto, Ontario, is the stock registrar and transfer agent of the Company.

OFFERING

(a) By an agreement dated the 23rd day of April, 1969, Milturn Investments Limited, Suite 704, 80 Richmond Street West, Toronto, acting as principal, has agreed to firmly purchase 200,000 shares in the capital of the Company at the price of 15 cents per share for a net amount of $30,000.00 to be received by the Company on the effective date defined in the agreement as the third business day next following the date upon which the Ontario Securities Commission has issued a receipt for this prospectus under The Securities Act, 1966.

The Securities offered hereby will be offered by the aforesaid Underwriter through registered security dealers appointed from time to time as agent for the Underwriter.

There are no sub-underwriting agreements outstanding or proposed. In the event that any sub-underwriting is granted, an amendment to this prospectus will be filed within ten days thereof if the shares of the Company are then in the course of primary distribution.

The maximum offering price of the shares offered hereby will be determined in accordance with the schedule set forth on the face page of this prospectus.

The only persons who own a greater than 5% interest in Milturn Investments Limited are Carl J. Turner, 50 Prince Arthur Avenue, Toronto, Ontario; Howard Milne, 3884 Bathurst Street, Downsview, Ontario, and Sheila Kalmanson, 44 Heddington Avenue, Toronto, Ontario.

(b) Reference is made to the caption "History and Business". The 75,000 free vendor shares issued to Carl J. Turner, Howard Milne and Sheila Kalmanson as part consideration for certain mining claims acquired by the Company will be offered pursuant to this prospectus. None of the proceeds from the sale of these shares will benefit the treasury of the Company.

ESCROWED SHARES

As at the date hereof, 675,000 shares in the capital of the Company were held by Guaranty Trust Company of Canada at Toronto, Ontario, subject to release only upon the prior written consents of the board of directors of the Company and the Ontario Securities Commission. Any dealings with such shares within the escrow require the prior written consent of the Ontario Securities Commission.

Designation of Class	No of Shares Held in Escrow	Percentage of Class
Common Shares Par Value $1 Each	675,000	70.1%

* After giving effect to the issue of 200,000 underwritten shares.

USE OF PROCEEDS

The net proceeds to be received by the Company from the sale of the underwritten shares as hereinbefore referred to are estimated at approximately $25,000 after deducting the expenses of this offering estimated at approximately $5,000. These funds will be used to defray the ordinary operating expenses of the Company and the costs of carrying out the exploration and development program recommended by its consulting engineer on the Company's Joliette property. See the summary of the report of Peter Holley-Hime, P.Eng.,

under the caption "History and Business". The program recommended by Mr. Holley-Hime is estimated not to exceed approximately $10,000.00.

Additionally moneys in the Company's treasury, as available, may be used to defray programs of acquiring, staking, examining, exploring and developing mining and/or oil and gas properties, either alone or in concert with others, and to generally carry out exploraton programs as opportunity and finances permit, provided, however, that no sums will be expended on any new properties acquired without an amendment to the Company's prospectus being filed if the shares of the Company are still in the course of primary distribution to the public.

PURCHASERS' STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION

A. Right of Withdrawal

An agreement of purchase and sale covering any of the shares hereby offered is not binding upon the purchaser if the company from whom the purchaser buys same receives written or telegraphic notice evidencing the intention of the purchaser not be be bound by the agreement not later than midnight of the second day (exclusive of Saturdays, Sundays and holidays) after receipt of the prospectus of the Company or amended prospectus; provided the purchaser has not sold or transferred the said shares prior to the expiration of the said two-day period.

Receipt of the prospectus or amended prospectus by the agent of the purchaser and receipt of the said notice by the agent for the vendor of the said shares shall be receipt by the purchaser and vendor respectively.

B. Right of Rescission

A purchaser of any of the shares hereby offered has a right to rescind his contract to purchase while he is still the owner of the said shares if the prospectus of the Company and any amending prospectus received by such purchaser, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading; provided, however, such right of rescission will not apply.

(a) if the untruth or fact of omission was unknown to the Company and to the Underwriter and could not have been known in the exercise of reasonable diligence;

(b) if such statement or omission is disclosed in an amended prospectus and same has been received by the purchaser;

(c) if the purchaser knew the untruth of the statement or knew of the omission at the time of purchase.

Receipt of a prospectus or an amended prospectus by a party who is acting as agent or who thereafter commences to act as agent of the purchaser shall be receipt by the purchaser. No action shall be commenced after the expiration of ninety days from the last to occur of the receipt of the prospectus or the date of the contract.

The full text of the respective statutory provisions summarized above is contained in Sections 63 and 64 of The Securities Act, 1966.

PRINCIPAL HOLDERS OF SHARES

The present principal shareholders of the Company are as follows:

Name and Address	Designation of Class	Type of Ownership	No. of Shares Owned	Percentage of Class
Carl J. Turner, 50 Prince Arthur Ave., Toronto, Ontario.	Common Shares Par Value $1.00	Beneficial	337,500	35.5%*
Howard Milne, 3884 Bathurst St., Downsview, Ontario.	Common Shares Par Value $1.00	Beneficial	337,500	35.5%
Sheila Kalmanson, 44 Heddington Ave., Toronto, Ontario.	Common Shares Par Value $1.00	Beneficial	75,000	7.9%

* Based on 950,005 shares outstanding after giving effect to the issue of the underwritten shares referred to herein under the heading "Offering".

The following table sets forth the percentage of issued shares of the Company beneficially owned by all directors and officers of the Company as a group.

Designation	% of Shares
Common Shares	Less than 1%

PROMOTER

Milturn Investments Limited, Suite 704, 80 Richmond Street West, Toronto, Ontario, is the promoter of the Company. For particulars of the underwriting of the Company's shares by Milturn Investments Limited and the principals thereof, see within under the caption "Offering".

MANAGEMENT

The names and addresses of the directors and officers of the Company and the position presently held are listed below:

Name	Address	Position
WILBERT AARON PERRY	1382 Glenburnie Drive, Port Credit, Ontario.	President and a Director
IAN ALBERT MacNAUGHTAN	10 Hollybrook Crescent, Willowdale, Ontario.	Secretary-Treasurer and a Director
WILFRED WALKER	164 Nipigon Avenue, Willowdale, Ontario.	Director
CRAWFORD McARTHUR COOK	2911 Bayview Avenue, Apt. 208-L, Toronto, Ontario.	Director
WILLIAM ALFRED BISHOP	660 Eglinton Ave. W., Apt. 108, Toronto, Ontario.	Director

Mr. Perry is presently self-employed as a public relations consultant in Toronto. In 1962 he was the President and a director of Radio Station CHIC Brampton Limited, Brampton, Ontario, and at the same time owned Perry Music Centre Limited, Brampton, Ontario. Late in 1964 he sold his interest in Perry Music Centre Limited and is presently self-employed as set forth above. He s also a director and/or officer of several mining companies, including Copper-Man Mines Limited, White Bridge Mines Limited, and Iron Cliff Mines Limited.

Since December, 1968, Mr. MacNaughtan has been self-employed as a corporate secretary. Prior to that time, he was the office manager of G. D. Richmond Securities Limited, Toronto, Ontario, and previously was a Life Underwriter with Imperial Life Assurance Co., Toronto, Ontario. He is also an officer and/or director of several mining companies, including Hanover Explorations Limited, Parliament Mines Limited and Northern Eagle Mines Limited.

Mr. Walker is now and has been for more than 5 years self-employed as a consulting geologist.

Mr. Cook is and has been during the past 5 years employed as a building superintendent. He is also a director and/or officer of several mining companies, including Black Bay Uranium Limited and Consolidated Bellekeno Mines Limited.

Mr. Bishop is and has been during the past five years self-employed as an insurance agent. He is also a director and/or officer of several mining companies, including Black Bay Uranium Limited and Richore Gold Mines Limited.

REMUNERATION OF MANAGEMENT

To date no officer or director of the Company has received any remuneration from the Company as such. The by-laws of the Company provide that each director of the Company is entitled to be paid a fee of $50.00 for each meeting of the Board of Directors attended.

PRELIMINARY EXPENSES

The preliminary administrative expenses of the Company including legal and audit fees, costs of incorporation and costs of filing and printing this prospectus are estimated at $5,000.00, none of which has been paid to date but will be payable out of the proceeds of this underwriting. Future administrative and development expenses for the forthcoming year are estimated at $4,500.00 and $10,000.00 respectively.

Shlesinger Corporate Services Limited, 62 Richmond Street West, Toronto, Ontario, have agreed to provide the Company with routine secretarial administrative services and head office facilities for a fee not exceeding $250.00 per month during the pleasure of the Board of Directors.

Shlesinger Corporate Services Limited is operated by Mr. Harry Shlesinger, 41 Elderwood Drive, Toronto, Ontario, and is owned by Mr. Shlesinger and a member of his immediate family.

MATERIAL CONTRACTS

The following are the only material contracts entered into by the Company within the past two years:

(1) Underwriting and option agreement dated April 23, 1969, made between the Company and Milturn Investments Limited. See caption "Offering".

(2) Property acquisition agreement dated April 23, 1969, made between the Company as purchaser and Carl J. Turner, Howard Milne and Sheila Kalmanson, as vendors. See caption "History and Business".

Copies of the aforementioned agreements will be available for inspection during business hours at the offices of the Company, Suite 403, 62 Richmond Street West, Toronto, Ontario, during the period that the shares of the Company offered hereby are in the course of primary distribution.

NEW BEDFORD EXPLORATIONS LIMITED

BALANCE SHEET
AS AT APRIL 28, 1969

ASSETS

Cash on hand	$ 5.00
Mining claims and properties, at cost (Note 1)	37,500.00
Organization expenses, estimated	5,000.00
	$ 42,505.00

LIABILITIES AND CAPITAL

Accounts payable, estimated			$ 5,000.00
Capital stock: (Note 2)			
Authorized:			
3,000,000 shares, par value $1.00 each			
Issued as fully paid:			
For cash:			
5 shares		$ 5.00	
For properties			
750,000 shares	$750,000.00		
Discount	712,500.00	37,500.00	37,505.00
			$ 42,505.00

The accompanying notes form an integral part of this balance sheet.

Approved on behalf of the Board of Directors:

"WILBERT AARON PERRY", Director

"IAN ALBERT MacNAUGHTAN", Director

AUDITOR'S REPORT

To The Directors
NEW BEDFORD EXPLORATIONS LIMITED
Toronto, Ontario

I have examined the balance sheet of New Bedford Explorations Limited as at April 28, 1969 and in connection therewith reviewed such supporting evidence as I considered necessary in the circumstances.

In my opinion, the accompanying balance sheet presents fairly the financial position of the Company as at April 28, 1969, in accordance with generally accepted accounting principles.

"T. H. BERNHOLTZ"
Chartered Accountant

Toronto, Ontario
April 28, 1969

NEW BEDFORD EXPLORATIONS LIMITED

NOTES TO BALANCE SHEET

AS AT APRIL 28, 1969

Note 1. The mining claims consist of twenty unpatented claims in Township of Joliette, Province of Quebec and are valued at the consideration given therefor, consisting of 750,000 shares of the Company's capital stock.

Note 2. The unde writer has agreed to firmly purchase 200,000 shares of the Company's capital stock at 15¢ per share, payable on the 3rd business day after the shares shall be qualified for public sale.

There are no other material facts.

DATED the 28th day of April, 1969.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus of the Company, as required by Part VII of The Securities Act, 1966, and the regulations thereunder.

"WILBERT AARON PERRY"
President and
Chief Executive Officer

"IAN ALBERT MacNAUGHTAN"
Secretary-Treasurer and
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS:

"WILFRED WALKER"
Director

"WILLIAM ALFRED BISHOP"
Director

PROMOTER:
MILTURN INVESTMENTS LIMITED
Per: "HOWARD MILNE"

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus of the Company, as required by Part VII of The Securities Act, 1966, and the regulations thereunder.

UNDERWRITER:
MILTURN INVESTMENTS LIMITED
Per: "HOWARD MILNE"